

**REPORT OF THE  
PUBLIC ACCOUNTS COMMITTEE  
ON  
THE REPORTS OF THE DIRECTOR OF AUDIT  
ON  
THE ACCOUNTS OF THE GOVERNMENT OF  
THE HONG KONG SPECIAL ADMINISTRATIVE REGION  
FOR THE YEAR ENDED  
31 MARCH 2012  
AND THE RESULTS OF  
VALUE FOR MONEY AUDITS (Report No. 59)**

*February 2013*

*P.A.C. Report No. 59*

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*Introduction*

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**The Establishment of the Committee** The Public Accounts Committee is established under Rule 72 of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region, a copy of which is attached in *Appendix 1* to this Report.

2. **Membership of the Committee** The following Members are appointed by the President under Rule 72(3) of the Rules of Procedure to serve on the Committee:

**Chairman** : Hon Abraham SHEK Lai-him, SBS, JP

**Deputy Chairman** : Hon Paul TSE Wai-chun, JP

**Members** : Hon CHAN Hak-kan, JP  
Hon Alan LEONG Kah-kit, SC  
Hon WONG Yuk-man  
Hon NG Leung-sing, SBS, JP  
Hon Kenneth LEUNG

**Clerk** : Mary SO

**Legal Adviser** : Stephen LAM

*Procedure*

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**The Committee's Procedure** The practice and procedure, as determined by the Committee in accordance with Rule 72 of the Rules of Procedure, are as follows:

- (a) the public officers called before the Committee in accordance with Rule 72 of the Rules of Procedure, shall normally be the Controlling Officers of the Heads of Revenue or Expenditure to which the Director of Audit has referred in his Report except where the matter under consideration affects more than one such Head or involves a question of policy or of principle in which case the relevant Director of Bureau of the Government or other appropriate officers shall be called. Appearance before the Committee shall be a personal responsibility of the public officer called and whilst he may be accompanied by members of his staff to assist him with points of detail, the responsibility for the information or the production of records or documents required by the Committee shall rest with him alone;
- (b) where any matter referred to in the Director of Audit's Report on the accounts of the Government relates to the affairs of an organisation subvented by the Government, the person normally required to appear before the Committee shall be the Controlling Officer of the vote from which the relevant subvention has been paid, but the Committee shall not preclude the calling of a representative of the subvented body concerned where it is considered that such a representative could assist the Committee in its deliberations;
- (c) the Director of Audit and the Secretary for Financial Services and the Treasury shall be called upon to assist the Committee when Controlling Officers or other persons are providing information or explanations to the Committee;
- (d) the Committee shall take evidence from any parties outside the civil service and the subvented sector before making reference to them in a report;
- (e) the Committee shall not normally make recommendations on a case on the basis solely of the Director of Audit's presentation;
- (f) the Committee shall not allow written submissions from Controlling Officers other than as an adjunct to their personal appearance before the Committee; and

*Procedure*

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- (g) the Committee shall hold informal consultations with the Director of Audit from time to time, so that the Committee could suggest fruitful areas for value for money study by the Director of Audit.

2. **Confidentiality undertaking by members of the Committee** To enhance the integrity of the Committee and its work, members of the Public Accounts Committee have signed a confidentiality undertaking. Members agree that, in relation to the consideration of the Director of Audit's reports, they will not disclose any matter relating to the proceedings of the Committee that is classified as confidential, which shall include any evidence or documents presented to the Committee, and any information on discussions or deliberations at its meetings, other than at meetings held in public. Members also agree to take the necessary steps to prevent disclosure of such matter either before or after the Committee presents its report to the Council, unless the confidential classification has been removed by the Committee.

3. A copy of the Confidentiality Undertakings signed by members of the Committee has been uploaded onto the Legislative Council website.

4. **The Committee's Report** This Report by the Public Accounts Committee corresponds with the Reports of the Director of Audit on:

- the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2012; and
- the results of value for money audits (Report No. 59),

which were tabled in the Legislative Council on 14 November 2012. Value for money audits are conducted in accordance with the guidelines and procedures set out in the Paper on Scope of Government Audit in the Hong Kong Special Administrative Region - 'Value for Money Audits' which was tabled in the Provisional Legislative Council on 11 February 1998. A copy of the Paper is attached in **Appendix 2**.

5. In addition, this Report takes stock of the progress of the action taken by the Administration on the recommendations made in the Committee's Report Nos. 56 and 57 and offers the Committee's views on the action taken. These are detailed in Parts 3 and 4 of this Report.

*Procedure*

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6. **The Government's Response** The Government's response to the Committee's Report is contained in the Government Minute, which comments as appropriate on the Committee's conclusions and recommendations, indicates what action the Government proposes to take to rectify any irregularities which have been brought to notice by the Committee or by the Director of Audit and, if necessary, explains why it does not intend to take action. It is the Government's stated intention that the Government Minute should be laid on the table of the Legislative Council within three months of the laying of the Report of the Committee to which it relates.

**Laying of the Report** Report No. 56 of the Director of Audit on the results of value for money audits was laid in the Legislative Council ("LegCo") on 13 April 2011. The Committee's Report (Report No. 56) was subsequently tabled on 6 July 2011, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the LegCo that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 56 was laid in the LegCo on 19 October 2011. A progress report on matters outstanding in the Government Minute was issued on 30 October 2012. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 8 below.

### **Hong Kong 2009 East Asian Games** (Chapter 1 of Part 4 of P.A.C. Report No. 56)

3. The Committee was informed that:

#### Administrative arrangements

- the 2009 East Asian Games (Hong Kong) Limited ("the EAG Company") had refunded the balance of its liquidation account of \$10,199,421 to the Government in August 2011;
- the Liquidator had completed the liquidation process for the EAG Company and the Company was dissolved in December 2011; and

#### Reconversion of office accommodation into squash courts

- with the support of the Central and Western District Council and the relevant National Sports Association, the Leisure and Cultural Services Department would reconvert the office space at the Hong Kong Squash Centre to six squash courts for multi-purpose use to meet the public demand for facilities for different sport including squash, dancing, fitness training and table tennis.

4. The Committee wishes to be kept informed of the progress made in reconverting the office space at the Hong Kong Squash Centre back to squash courts.

## **Hong Kong Housing Authority: Management of commercial properties**

*(Chapter 3 of Part 4 of P.A.C. Report No. 56)*

5. Hon Alan LEONG Kah-kit and Hon Kenneth LEUNG declared that they were currently the non-official members of the Hong Kong Housing Authority ("HA").

6. The Committee was informed that:

- the Housing Department ("HD") had implemented the Audit's recommendations, a summary of the updated progress of the implementation is in *Appendix 3*;
- on the part concerning the performance measurement and reporting, the HD had reviewed the performance targets for different types of commercial properties and had developed new key performance indicators ("KPI") to improve the monitoring of the vacancy position of various types of commercial properties such as retail premises, shopstalls and cooked food stalls, carparks and factory premises and to enhance the performance of the commercial operations covered by the business plan for commercial properties operated by the HA. The Commercial Properties Committee ("CPC") of the HA, when considering the 2012-2013 HA's commercial business plan, endorsed the new KPI and the revised approach to setting performance targets, including the reporting of vacancy rates for different categories of non-domestic properties. The progress of the implementation of the new measures would also be reported to the CPC on a regular basis through the mid-year and year-end reviewing exercises; and
- in response to the recommendation to conduct a post-implementation review ("PIR") for the 2005 divestment of the HA's retail and carpark facilities, the HD had engaged the Efficiency Unit to conduct the PIR. The PIR had been completed and the HD had taken note of the PIR's findings and recommendations.

7. The Committee recommends that the issues related to the management of HA commercial properties, including the findings and recommendations of the PIR for the 2005 divestment of the HA's retail and carpark facilities, be followed up by the LegCo Panel on Housing.



*P.A.C. Report No. 59 – Part 3*  
*Report of the Public Accounts Committee on Report No. 56 of the Director of Audit*  
*on the Results of Value for Money Audits [P.A.C. Report No. 56]*

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8. The Committee also wishes to be kept informed of further development on the subject.

**Laying of the Report** The Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2011 and his Report No. 57 on the results of value for money audits were laid in the Legislative Council ("LegCo") on 16 November 2011. The Committee's Report (Report No. 57) was subsequently tabled on 15 February 2012, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the LegCo that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 57 was laid in the LegCo on 16 May 2012. A progress report on matters outstanding in the Government Minute was issued on 30 October 2012. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 28 below.

### **Equal Opportunities Commission**

*(Paragraphs 3 and 4 of Part 4 of P.A.C. Report No. 57)*

3. Hon Paul TSE Wai-chun declared that he was currently a Board member of the Equal Opportunities Commission ("EOC").

4. The Committee was informed that the EOC had decided to halt the recruitment of the Chief Operations Officer ("COO") and let the new Chairperson to choose his/her candidate, despite the fact that it was mentioned in the Government Minute laid before the LegCo in May 2012 that the EOC had concluded the review of the division of responsibilities within the senior management of the EOC and preparation for the recruitment of COO was in progress.

5. The Committee wishes to be kept informed of the development on the recruitment and appointment of the COO.

**Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees**

*(Paragraphs 11 and 12 of Part 4 of P.A.C. Report No. 57)*

6. The Committee was informed that the Security Bureau:
- had discussed the issue of outstanding advances with the United Nations High Commissioner for Refugees ("UNHCR") in June 2012; and
  - had written to the Head of Hong Kong Sub-office of the UNHCR in August 2012 to reiterate the Administration's stance on the matter and register the Hong Kong community's expectation of an early recovery of the outstanding advances.
7. The Committee wishes to be kept informed of the development on the Government's recovery of the outstanding advances to the UNHCR.

**Footbridge connections between five commercial buildings in the Central District**

*(Paragraphs 13 and 14 of Part 4 of P.A.C. Report No. 57)*

8. The Committee was informed that in July 2012, the owner of Building II proposed alternative alignment of footbridge connection. The owner of Building I had requested the owner of Building II to provide the details of their proposal for review. The location of Building I and Building II is shown in *Appendix 4*. The Lands Department and the concerned departments would continue to follow up on the matter.
9. The Committee wishes to be kept informed of further development on the footbridge proposal.

**Small house grants in the New Territories**

*(Paragraphs 15 to 18 of Part 4 of P.A.C. Report No. 57)*

10. The issues relating to small house grants in the New Territories were discussed in the Public Accounts Committee Report No. 39 published in February 2003. In the course of the Committee's public hearing on those issues, the then

Secretary for Housing, Planning and Lands undertook in December 2002 to complete within the tenure of his office a review of the small house policy.

11. In the Government Minute laid before the LegCo in May 2012, it was mentioned that:

- (a) the existing small house policy had been in operation for a long period of time; and
- (b) any major policy change would entail complex legal, land use and planning issues which required careful examination.

12. The Committee was informed that the Administration had recently said that it needed to maintain dialogue with key stakeholders as well as the community at large on any major policy change on existing small house policy.

13. The Committee recommends that the issue be followed up by the LegCo Panel on Development.

14. The Committee also wishes to be kept informed of further development on the subject.

**The acquisition and clearance of shipyard sites**

*(Paragraphs 19 and 20 of Part 4 of P.A.C. Report No. 57)*

15. The Committee was informed that the Lands Tribunal hearing to determine the claim for compensation under the Foreshore and Sea-bed (Reclamations) Ordinance (Cap. 127) was held from 8 October 2012 to 19 October 2012 and the case was adjourned by the Lands Tribunal to March 2013.

16. The Committee wishes to be kept informed of further development on the subject.

## **The Community Investment and Inclusion Fund**

*(Paragraphs 29 and 30 of Part 4 of P.A.C. Report No. 57)*

17. To follow up on the Committee's recommendation of putting in place effective assessment tools, the Labour and Welfare Bureau ("LWB") had commissioned independent consultants to conduct a second evaluation study for the Community Investment and Inclusion Fund ("CIIF"), including the design of a set of social capital outcome indicators and assessment tools for CIIF projects to evaluate the outcome of social capital development. The study was commenced in October 2010.

18. The Committee was informed that:

- the independent consultants engaged by the LWB to conduct the second evaluation study for the CIIF had completed their final reports in September 2012. The findings confirmed that the CIIF could effectively enhance capacity building of individuals, and promote cross-generational care, mutual help across different social strata and ethnic harmony, resulting in an overall enhancement of community capacity. The LWB had followed up with the CIIF Committee on the recommendations of the independent consultants' reports and devised the way forward and scale of operation for the CIIF;
- the CIIF Secretariat had collated and released the relevant data collected by the independent consultants as part of the second evaluation study on the CIIF website at end-September 2012. The data would be updated on a regular basis; and
- the Financial Secretary had proposed in the 2012-2013 Budget an injection of \$200 million into the CIIF and the approval of the Finance Committee of LegCo would be sought in due course<sup>1</sup>.

19. The Committee recommends that the issue be followed up by the LegCo Panel on Welfare Services.

20. The Committee also wishes to be kept informed of further development on the subject.

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<sup>1</sup> The Finance Committee of the LegCo approved an injection of \$200 million into the Community Investment and Inclusion Fund at its meeting on 25 January 2013.

**Food labelling and nutrition labelling of infant and special dietary foods**  
(Chapter 1 of Part 7 of P.A.C. Report No. 57)

21. The Committee was informed that:

Public consultation on legislative proposals relating to formula products and foods intended for infants and young children

- in November 2012, the Administration had launched a two-month public consultation on the legislative proposals relating to formula products and foods intended for infants and young children under the age of 36 months. According to the Food and Health Bureau:
  - (a) where breastfeeding was not feasible, infant formula was the only processed foodstuff which wholly fulfilled the nutritional requirements of infants during the first months of life until the introduction of appropriate complementary feeding. Therefore, the Administration must ensure that infant formula had the appropriate composition and was nutritionally adequate; and
  - (b) it was also important to provide nutrition information on labels of foods intended for infants and young children to assist parents in making informed food choices for their children;
- the legislative proposals would involve introducing the following:
  - (a) the Codex Alimentarius Commission ("Codex") requirement on nutritional composition for infant formula before complementary feeding (i.e. energy and 33 nutrients as specified by Codex);
  - (b) nutrition labelling requirement for infant formula before complementary feeding by listing the energy and 33 nutrients which were required to be present in infant formula as specified by Codex;
  - (c) nutrition labelling requirement for follow-up formula intended for infants and young children under the age of 36 months by listing the energy and 25 nutrients as specified by Codex; and

- (d) nutrition labelling requirement for foods intended for infants and young children under the age of 36 months by listing the energy and nutrients required for such foods as specified by Codex;

#### Development of the Hong Kong Code of Marketing of Breast-milk Substitutes

- a Taskforce was set up under the Department of Health ("DH") in June 2010 to develop and promulgate the Hong Kong Code of Marketing of Breast-milk Substitutes;
- the Taskforce studied the local situation and considered that the Code should not only cover marketing of breast-milk substitutes but also the quality standards of formula milk and food products for infants and young children. The Taskforce had therefore drafted the Hong Kong Code of Marketing and Quality of Formula Milk and Related Products, and Food Products for Infants & Young Children (0-36 months) ("the Code") to provide guidelines for manufacturers and distributors of these products;
- upon completion of the drafting work, the DH had conducted consultation with the trade/stakeholders in October 2012 on the detailed implementation. Briefing sessions had been arranged for manufacturers, distributors, importers, retailers and other relevant parties. Besides, the Taskforce had urged all healthcare service providers to support the Code. The Code would be promulgated after consultation;
- the trade's compliance with the Code would be monitored by the DH and the Centre for Food Safety ("CFS") working closely together, and in collaboration with other non-governmental organizations ("NGOs") and professional bodies;
- the CFS was conducting targeted surveillance of the nutritional composition of infant and follow-up formulae available in the local market. Tests on all formulae catering for infants below six months old were completed by the end of 2012 and tests on those catering for young children between six and 36 months old within the first half of 2013. The testing results would be released as appropriate if matters of health concern were identified. As certain infant formula products were found to be deficient in iodine, the Administration would expedite

its work in formulating regulatory proposals regarding powdered formulae and food for infants and young children;

- as regards special dietary foods, the CFS had commenced the review of the labelling of these foods by making reference to the Codex Alimentarius Commission standards. The CFS was conducting a preliminary survey on the distribution of special dietary foods in the local market. Taking into account the local situation and international development in regulating special dietary foods, the CFS would make recommendations on whether such products require regulation and, if so, the priority to be accorded to them;

#### Food labelling

- in accordance with the Committee's recommendations, the CFS now regularly published the results of compliance tests on nutrition labelling of prepackaged food and the applicable tolerance limits in a monthly Report on Nutrition Labelling Testing Results on CFS' website. Compliance test results for food allergens were also published in the same report. The CFS had issued a set of "Trade Guidelines on Preparation of Legible Food Label" in May 2012 for reference by the trade for coming up with legible food labels;

#### Nutrition claims and health claims

- the Undesirable Medical Advertisements (Amendment) Ordinance (Cap. 231) had come into operation on 1 June 2012. The CFS would continue to follow up complaints related to nutrition and health claims of food and initiate prosecution under section 61 of the Public Health and Municipal Services Ordinance (Cap. 132) if there was sufficient evidence that a claim was calculated to mislead as to the nature, substance or quality of the food. The CFS was conducting a study on labelling and claims of infant formulae and was seeking legal advice on the appropriate follow-up action against some suspected misleading claims. The Administration proposed to tackle the regulation of claims at a later stage in 2013;

#### Exemptions from nutrition labelling

- the Administration had reported the progress of the review of fees for the Small Volume Exemption Scheme to the LegCo Panel on Food



Safety and Environmental Hygiene at its meeting on 8 May 2012. The review had been completed in the second half of 2012. The outcome of the review would be followed up with the Panel;

#### Surveillance and enforcement work

- since 1 April 2011, the CFS had adopted a risk-based enforcement approach as recommended in the Independent Commission Against Corruption's assignment report on enforcement of food labelling requirements, targeting at high-risk retail outlets. The CFS would continue to build up a database of retail outlets (over 4 000 as at July 2012) to facilitate inspection, surveillance, enforcement, risk management and public education work. The CFS would continue its risk-based enforcement efforts. The relevant measures were being implemented on an on-going basis; and

#### Publicity and education

- following the three-year publicity and education campaign that ended in June 2011, the CFS had initiated a two-year enhancement programme since July 2011 to cultivate the use of nutrition information on labels in collaboration with schools and NGO. A survey to evaluate the current knowledge, attitude and behaviours among the public to facilitate further planning of publicity and education programmes had been completed and the survey findings were expected to be available by the first half of 2013.

22. The Committee was also informed of the progress of follow-up actions on cases identified by Audit as set out below:

#### Paragraph 2.10 of Chapter 3 "Food labelling" of the Audit Report

- the CFS had completed the investigation of all 42 suspected non-compliant cases referred by Audit. Out of the 22 unsatisfactory samples, the labels of 16 products were revised after investigation, four were not found for sale, the explanation from the trader on one was accepted by the CFS, and one was re-tested with another method upon request by trader and the result was satisfactory;

Paragraph 3.12 of Chapter 3 "Food labelling" of the Audit Report

- the CFS had followed up the 17 cases with suspected improper nutrition claim. Action was completed for 16 cases. One was still under investigation; and

Chapter 4 "Nutrition labelling of infant and special dietary foods" of the Audit Report

- the CFS had followed up the 12 cases involving 30 products identified by Audit. The labels of ten products were considered to be in order, one was found not for sale, five were pending legal advice for prosecution under section 61 of Cap. 132, and the remaining 14 were still under investigation.

23. The Committee wishes to be kept informed of further development on the subject.

**Records management work of the Government Records Service**  
(Chapter 2 of Part 7 of P.A.C. Report No. 57)

24. The Committee was informed that:

Overseeing of records management programmes

- as part of the continued effort to provide enhanced support and guidance to bureaux/departments ("B/Ds"), the Administration had issued two circulars in July 2012, one on guidelines on creation and collection of records, and the other on establishment of departmental records management policies;
- the Government Records Service ("GRS") would continue to monitor B/Ds' records management practices including conducting the next service-wide survey on records management practices of B/Ds in the fourth quarter of 2012;

Records appraisal and accessioning of archival records

- regarding the backlog of records pending appraisal of archival value and backlog of archival records pending accessioning, the GRS was actively implementing measures to clear the backlogs in three years' time, including the deployment of additional permanent and temporary staff to assist in the tasks;

Condition survey

- the GRS was making good progress on the condition survey of its collection, which was scheduled for completion by mid-2013; and

Manpower of the GRS

- to ensure work quality and provision of good service to the public, the GRS would create in 2012-2013 a total of 21 additional posts. Action had been taken to create and fill the additional posts as early as possible.

25. A summary of the updated progress of implementing the Audit recommendations since the Government Minute was laid before the LegCo in May 2012 is in *Appendix 5*.

26. The Committee wishes to be kept informed of further development on the subject.

**Water losses from unauthorized consumption and inaccurate metering**  
(Chapter 3 of Part 7 of P.A.C. Report No. 57)

27. The Committee was informed that:

Overall

- for meter accuracy, the Water Supplies Department ("WSD") would continue with the catch-up meter replacement programme for the 15-mm meters. Up to September 2012, some 1.6 million out of 2.8 million meters had been replaced;

Enforcement action against unlawful water taking

- up to end September 2012, 10 training courses on detecting and reporting unlawful water taking activities for staff of related government departments had been organized;
- on the imputation to the concerned contractor about the unlawful water taking activity allegedly undertaken by his employee at his works site, the Department of Justice ("DoJ") had advised the WSD that whether or not a charge against a contractor was substantiated had to be decided by assessing all the available evidence, both direct and circumstantial, in each individual case. As such, the WSD would consult the DoJ on a case-by-case basis when such a case occurred;
- in response to WSD's request, the Development Bureau ("DEVB") was considering the inclusion of a provision in the contractor administration procedures to the effect that the occurrence of any unauthorized water use in a contractor's works site should be reflected in the contractor's performance report with appropriate sanctions;
- on the publicity front, the WSD had stepped up the publicity and education programme on prevention of unlawful water taking. The WSD had included messages against unlawful water taking in its publicity activities, which included school visits, treatment works open days, seminars and presentation ceremonies, and in its publications such as Annual Report, consumer guidebook (published in October 2012), Waterlink (a departmental newsletter) and pamphlet, as well as in posters and promotion boards displayed at Customer Enquiry Centres and the future Water Resources Education Centre;
- up to end September 2012, the fine imposed on convicted cases of unlawful water taking ranged from \$1,000 to \$18,000 (with an average of about \$3,988). This showed an increase as compared with the \$1,000 to \$10,000 (with an average of \$3,317) in 2011 but was still rather low as compared to the maximum fine of \$25,000 under the Waterworks Ordinance (Cap. 102) for unlawful water taking. At the end of 2012, the WSD had conducted a review on the convicted cases with regard to the fine imposed with a view to consulting the DoJ to see whether there was a case for requiring the strengthening of prosecution work or legislative amendment for increase of the penalty level;

- as regards the initiative to promote proper maintenance of internal flushing systems in private buildings, which when failed, were prone to cause unlawful taking of water as a temporary quick-fix, the WSD had formulated a draft framework of a new scheme for flushing system inside buildings. The new scheme was similar to the current "Quality Water Recognition Scheme for Buildings" to promote proper maintenance of fresh water inside services by property owners and occupants. The Working Group on Water Quality in Buildings supported in principle the new scheme. The WSD was working on the implementation details;

#### Inspection of unauthorized water consumption

- the WSD had been exploring the use of data mining techniques to detect more target premises. Preliminary results indicated that such techniques should be useful and the WSD was planning to engage consultants to develop the techniques;
- the WSD would continue to organize annual refresher training courses and experience sharing sessions for frontline Consumer Services Inspectors involved in handling of suspected unlawful water taking, the latest round of which was conducted in May 2012. Furthermore, the WSD had conducted a review on the training needs and mode in December 2012 for enhancement;

#### Management of water meter accuracy

- the reviews of the optimal replacement cycle for 15-mm and 150-mm to 300-mm water meters had been completed and a set of cumulative flow volume-driven replacement criteria was also established. The review for 25-mm to 100-mm water meters was in progress and would be completed by August 2013;
- the WSD, in collaboration with the DEVB, had examined the appropriateness and feasibility of requiring large consumption non-domestic customers to bear the meter replacement costs. Water meters were the properties of the WSD and the replacement costs were hitherto borne by the WSD, which was similar to the practice of the two power companies for their electricity meters. There was also no provision under the Waterworks Ordinance (Cap. 102) which enabled the WSD to charge its customers for meter replacement. In these

circumstances, it might not be appropriate to require the large consumption non-domestic customers to bear the meter replacement costs;

- in respect of overcoming the difficulties confronting meter replacement due to the lack of customers' cooperation, the WSD had promulgated a standard warning letter for use by its district staff. The letter was to be issued to management offices, occupiers or registered consumers who did not render assistance in WSD's meter replacement works to forewarn them of WSD's intention of applying for a warrant from the Magistrate for entry into the premises to replace the meter; and

#### Performance reporting

- the performance target and extent of achievement on the percentage of water meters replaced within the optimal service lives would be published in the next financial year upon completing the reviews of their optimal replacement cycles.

28. The Committee wishes to be kept informed of further development on the subject.

**Consideration of the Director of Audit's Report tabled in the Legislative Council on 14 November 2012** As in previous years, the Committee did not consider it necessary to investigate in detail every observation contained in the Director of Audit's Report. The Committee has therefore only selected those chapters in the Director of Audit's Report No. 59 which, in its view, referred to more serious irregularities or shortcomings. It is the investigation of those chapters which constitutes the bulk of this Report.

2. **Meetings** The Committee held a total of 14 meetings and nine public hearings in respect of the subjects covered in this Report. During the public hearings, the Committee heard evidence from a total of 31 witnesses, including four Directors of Bureau and six Heads of Department. The names of the witnesses are listed in *Appendix 6* to this Report. A copy of the Chairman's introductory remarks at the first public hearing in respect of the Director of Audit's Report No. 59 on 24 November 2012 is in *Appendix 7*.

3. **Arrangement of the Report** The evidence of the witnesses who appeared before the Committee, and the Committee's specific conclusions and recommendations, based on the evidence and on its deliberations on the relevant chapters of the Director of Audit's Report, are set out in Chapters 1 to 4 of Part 7 below.

4. The video and audio record of the proceedings of the Committee's public hearing is available on the Legislative Council website.

5. **Acknowledgements** The Committee wishes to record its appreciation of the cooperative approach adopted by all the persons who were invited to give evidence. In addition, the Committee is grateful for the assistance and constructive advice given by the Secretary for Financial Services and the Treasury, the Legal Adviser and the Clerk. The Committee also wishes to thank the Director of Audit for the objective and professional manner in which he completed his Reports, and for the many services which he and his staff have rendered to the Committee throughout its deliberations.

*P.A.C. Report No. 59 – Part 6*

*Observations of the Public Accounts Committee on the Report of the Director of Audit on the  
Accounts of the Government of the Hong Kong Special Administrative Region  
for the year ended 31 March 2012*

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The Committee noted the Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2012.



## **A. Introduction**

The Audit Commission ("Audit") conducted a review of the Government's efforts in improving the air quality of Hong Kong with focus on the following areas:

- management of air quality objectives;
- administration of air pollution index; and
- performance reporting.

2. **Hon Abraham SHEK Lai-him** declared that he was currently an Independent Non-executive Director of the NWS Holdings Limited under which the New World First Bus Services Limited and Citybus Limited run franchised bus business.

3. **Mr WONG Kam-sing**, the **Secretary for the Environment**, made an opening statement at the public hearing on 7 December 2012. The full text of his statement is in *Appendix 8*.

## **B. Management of air quality objectives**

### Revision of air quality objectives

4. Section 7 of the Air Pollution Control Ordinance (Cap. 311) ("APCO") provides that the Secretary for the Environment, shall, after consultation with the Advisory Council on the Environment, establish for each air control zone air quality objectives ("AQOs") or different objectives for different parts of a zone. AQOs serve as the air quality standards for the conservation and best use of air in the air control zone in the public interest. According to Appendix A to the Director of Audit's Report ("Audit Report"), the existing AQOs in Hong Kong set out the concentration targets for seven air pollutants, namely sulphur dioxide ("SO<sub>2</sub>"), nitrogen dioxide ("NO<sub>2</sub>"), respirable suspended particulates (expressed as "PM<sub>10</sub>" which are particulate matters with a diameter of 10 micrometres (µm) or less), total suspended particulates ("TSP"), ozone ("O<sub>3</sub>"), carbon monoxide ("CO") and lead.

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5. Section 8 of the APCO further provides that the air pollution control authority ("the Authority"), who is now appointed to be the Director of Environmental Protection, shall aim to achieve the relevant AQOs as soon as is reasonably practicable and thereafter to maintain the quality so achieved.

6. The **Secretary for the Environment** said that, as the Authority under the APCO, the Director of Environmental Protection should implement appropriate measures to achieve the AQOs which were statutory objectives for protecting public health. To enhance protection of public health, the Government announced in January 2012 the adoption of the revised AQOs by referencing to the World Health Organization ("WHO")'s air quality guidelines ("AQGs") and Interim Targets. The Environment Bureau ("ENB") was at the final stage of drafting the relevant legislation and expected to table it in the Legislative Council ("LegCo") for scrutiny in early 2013.

7. The Committee noted that it had, in response to a previous review on the monitoring and control of air pollution conducted by Audit, recommended in its Report No. 29 of February 1998 that the Government should expedite action to revise the AQOs in Hong Kong and plan ahead to implement additional control measures necessitated by the revised AQOs. At that time, AQOs in Hong Kong were less stringent than the then health-based air quality standards of the WHO, the United States Environmental Protection Agency ("USEPA") and the United Kingdom ("UK").

8. The Committee noted from paragraph 2.17 of the Audit Report that subsequent to the 1997 Review conducted by a working group formed by the Environmental Protection Department ("EPD") and the 2007 Consultancy Review commissioned by the EPD to review the AQOs, the EPD still had not made timely revision to the existing AQOs, which were established in 1987. Given that AQOs were statutory objectives for protecting public health, the Committee asked why the Government had not taken the two opportunities to tighten the AQOs, in light of overseas and local research findings.

9. **Mr Andrew LAI Chi-wah**, the **Deputy Director of Environmental Protection**, and **Mr MOK Wai-chuen**, the **Assistant Director of Environmental Protection**, explained and **Ms Anissa WONG Sean-ye**, the **Director of Environmental Protection**, stated in her letter of 14 December 2012 (in *Appendix 9*) that:

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- Hong Kong established its AQOs in 1987 by referencing to the then national ambient air quality standards ("NAAQS") of the USEPA, which were the most stringent air quality standards amongst advanced countries at the time;
- in 1997, the USEPA proposed to introduce new standards for particulate matters with a diameter of 2.5 µm or less ("PM<sub>2.5</sub>") and O<sub>3</sub>. After putting forward the proposed PM<sub>2.5</sub> standards, the USEPA faced a number of lawsuits challenging the adequacy of the proposal. At that time, the EPD formed a Working Group on the Health Effects of Air Pollution ("the Working Group") to review the AQOs. The Working Group concluded in July 1999 that adopting more stringent objectives for SO<sub>2</sub>, PM<sub>10</sub>, NO<sub>2</sub> and O<sub>3</sub> would provide further protection of public health, and adopting an appropriate objective for PM<sub>2.5</sub> was potentially of greatest importance. Given that no numerical target values were provided by the Working Group for these pollutants, the EPD had to wait until the lawsuits in the United States of America ("USA") were settled in 2005;
- in 2006, the WHO published the AQGs which provided comprehensive advice on how AQOs should be tightened as well as numerical target values for various air pollutants. In mid-2007, the EPD commissioned the Consultancy Review with a view to revising the existing AQOs with reference to the WHO AQGs and practices of advanced countries, and developing a long-term air-quality management strategy as soon as possible. In July 2009, the Government consulted the public on a proposal to update the AQOs together with a package of 19 air-quality improvement measures proposed by the Consultant. On 17 January 2012, the Government announced the adoption of the revised AQOs together with a package of 22 air-quality improvement measures for achieving the revised AQOs. If approved by the LegCo, the revised AQOs would come into effect in 2014 ("the 2014 AQOs"); and
- to ensure Hong Kong would parallel international best practices in air-quality management, the ENB and the EPD would review the AQOs once every five years for achieving the AQG levels of the WHO in the longer term.

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10. As revealed in paragraph 2.19 and Appendix G to the Audit Report, over the 13 years from 1997 to 2010, the USA, the UK and the European Union ("EU") had all tightened their air-quality standards and introduced new standards for their countries several times. Against this background, the Committee queried why the EPD had not adopted the practices of the USA, the UK and the EU to introduce new air quality standards for air pollutants individually but had waited for the outcome of a lawsuit in the USA, thereby sacrificing the health and well being of Hong Kong people.

11. The **Director of Environmental Protection** explained and stated in her letter of 14 December 2012 (in Appendix 9) that:

- after the settlement of the lawsuit in 2005 in the USA, the USEPA eventually promulgated the final PM<sub>2.5</sub> standards on 17 October 2006, keeping the rest of its standards in the NAAQS essentially unchanged;
- on the other hand, the WHO issued in 2006 the AQGs which recommended that governments needed to set their air quality standards having regard to their own particular circumstances and the specific approach to balancing risks to health, technological feasibility, economic considerations and other political and social factors; and
- in the 2007 Consultancy Review, the EPD had not only undertaken to review the existing AQOs but had also developed a long-term air-quality management strategy with a package of 19 air-quality improvement measures for the progressive achievement of the 2014 AQOs.

12. On the issue of tightening the AQOs, **Ms Christine LOH Kung-wai**, the **Under Secretary for the Environment**, said that both the Secretary for the Environment and she were unable to identify any documentary evidence as to why the tightening of the AQOs had not been accorded a sufficiently high priority in the Government's policies in the past years. She further said that with hindsight, the Government could have made reference to overseas practices to review and tighten the AQOs for individual air pollutants some time ago. Nevertheless, there was a shift in the priority setting of the Government's policies recently, and the Government would proactively improve air quality and carefully consider public health when formulating clean air policy.

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Achievement of AQOs

13. As revealed in paragraph 2.13 of the Audit Report, although Hong Kong aspires to be Asia's world city, the air quality of Hong Kong in 2011 did not match that of three world cities, namely New York, London and Sydney. At the request of the Committee, the **Director of Environmental Protection** provided supplementary information on the air quality of Shanghai and Singapore in 2011 (in *Appendix 10*) as follows:

	Hong Kong	Shanghai	Singapore	New York	London	Sydney
PM <sub>10</sub>	48	80	27	19	24	15
NO <sub>2</sub>	53	51	25	39	36	14

The Committee noted that the air quality of Hong Kong in 2011 did not match that of Singapore in terms of the concentration level of PM<sub>10</sub> and NO<sub>2</sub>, whilst Hong Kong performed better than Shanghai in terms of the concentration level of PM<sub>10</sub>.

14. The Committee noted Audit's observation in paragraph 2.14 that the air quality of Hong Kong had not fully achieved the existing AQOs since their adoption in 1987. In particular, in 2011, the concentration levels of NO<sub>2</sub>, PM<sub>10</sub>, TSP as well as O<sub>3</sub> had exceeded the existing AQO limits as stated in Appendix F to the Audit Report. In view of the above, the Committee questioned whether the Secretary for the Environment and the Director of Environmental Protection had failed to discharge their statutory duty under sections 7 and 8 of APCO in that the AQOs had neither been revised nor been fully achieved since the adoption of the existing AQOs in 1987.

15. The **Director of Environmental Protection** replied that over the years, the ENB and the EPD had been implementing a wide range of initiatives, including those summarized in Appendix E to the Audit Report, to improve air quality in Hong Kong. These measures targeted at major pollution sources such as power plants, industrial and commercial activities, and vehicles. Noting that achievement of AQOs at roadside was important, the EPD had taken advantage of recent technology advances to put forward further emission control measures including retrofitting Euro II and Euro III franchised buses with selective catalytic reduction devices and strengthening the emission control of petrol and liquefied-petroleum gas ("LPG") vehicles by using remote sensing equipment and dynamometers for emission testing. The EPD was

also examining how to effectively phase out heavily polluting diesel commercial vehicles.

16. The **Secretary for the Environment** and the **Under Secretary for the Environment** said that:

- to successfully implement the air-quality improvement measures, the ENB/EPD would work closely with different Government bureaux/departments and relevant stakeholders to achieve the desired results;
- to strengthen the coordination of different Government departments, the Government had set up a new Policy Group under the Policy Committee with focus on sustainability, the environment and energy policies. Under the chairmanship of the Chief Secretary for Administration, the Policy Group would strengthen cross-bureaux and cross-departments co-operation in the formulation and implementation of air policies; and
- as the AQOs served as key references to the EPD in assessing whether the air-quality impact of designated projects was acceptable for approval under the Environmental Impact Assessment Ordinance (Cap. 499), the tightening of the AQOs would have significant impact on the projects in both public and private sectors. In this regard, the support of the Development Bureau, the Transport and Housing Bureau, the trade and the community would be of utmost importance.

17. The **Secretary for the Environment** further said that the Government projects for which Environmental Impact Assessment studies had not yet commenced would adopt the 2014 AQOs as the benchmark for conducting the air-quality impact assessment studies.

#### Benchmarking against the standards of the WHO AQGs

18. The Committee noted Audit's observation in paragraph 2.29 that the 2014 AQOs for SO<sub>2</sub>, PM<sub>10</sub>, PM<sub>2.5</sub> and O<sub>3</sub> were mostly based on the WHO Interim Targets which did not provide adequate protection of public health when compared with the WHO AQG levels. In particular, Table 1 in paragraph 2.29 of the Audit Report shows that the health risks for not achieving the WHO AQG level for SO<sub>2</sub>, PM<sub>10</sub>, PM<sub>2.5</sub> and O<sub>3</sub> include a higher risk of premature mortality, about 2.5% - 15% increase

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in short-term or long-term mortality, effects on hospital emergency admissions for total respiratory and chronic obstructive pulmonary diseases, etc. The Committee also noted that the Interim Targets provided in the WHO AQGs served as milestones to facilitate a progressive approach to achieving the WHO AQGs.

19. According to paragraph 2.12 of the Audit Report, upon attainment of the 2014 AQOs in Hong Kong, about 4 200 unnecessary hospital admissions and 7 400 statistical life years would be saved each year (or an improved average life expectancy of around one month for the entire population).

20. Against the above background, the Committee enquired whether the ENB/EPD had any timetable for achieving the WHO AQGs.

21. The **Director of Environmental Protection** said and elaborated in her letter of 14 December 2012 (in Appendix 9) that:

- it was the long-term objective of the ENB/EPD to fully achieve the WHO AQGs. At present, no countries/cities had set their AQOs at the AQG levels or had been able to fully achieve the AQG levels. Hong Kong had already achieved the WHO AQG levels for lead and CO. The EPD was committed to implementing additional measures to further reduce local emissions;
- the ENB/EPD were also working with Guangdong Provincial Government to tackle regional air pollution in order to bring down the pollution levels. On 23 November 2012, the Government announced jointly with Guangdong Environmental Protection Department a new emission reduction plan for the Pearl River Delta ("PRD") Region, which set out air pollutant emission reduction targets for both Hong Kong and PRD Economic Zone up to 2020;
- the EPD's air-quality projection showed that, upon attainment of the new emission reduction targets, the WHO AQG levels for NO<sub>2</sub> and 10-minute measurement of SO<sub>2</sub> at the ambient level would be broadly achieved by 2020;
- as for other pollutant measurements, the revised AQOs would be broadly met by 2020;

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- through the EPD's efforts on the local and regional fronts, it was anticipated that Hong Kong would progressively move towards the long-term goal of achieving the WHO AQGs as soon as possible; and
- as pledged in the ENB/EPD's proposal to adopt the revised AQOs, the ENB/EPD would review the progress on the achievement of the revised AQOs in the regular review at a frequency no less than once every five years.

22. As unsatisfactory air quality might cause detrimental health effects on members of the public, leading to an increased number of people contracting illnesses and hospital admissions, the Committee recommended that the Government should accord a higher priority to the policies and initiatives on the environment in the Chief Executive's 2013 Policy Address and the 2013-2014 Estimates, for better protection of public health.

Public expenditure on air-quality management

23. The Committee was of the strong view that government expenditure should be better spent on preventive measures to protect public health by improving air quality than on medical cost arising from curing health problems associated with air pollution. Considering the significant health risks induced by poor air quality, the Committee asked about the public expenditure on improving air quality in Hong Kong and how this compared with other world cities.

24. In response to the Committee's enquiry, the **Director of Environmental Protection** reported in her letter of 14 December 2012 (in Appendix 9) that:

- in the financial year of 2011-2012, the expenditure incurred by the EPD on air programme was about \$566 million, accounting for about 23% of the total expenditure of the EPD and 0.03% of the Gross Domestic Product ("GDP") of 2011;
- apart from providing expenditure on air programmes, the Government had supported various air-quality improvement initiatives through the government revenue forgone and compliance by stakeholders concerned, such as:



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- (a) tax incentive for environment-friendly petrol private cars, i.e. \$633 million in the financial year of 2011-2012;
  - (b) tax incentive for environment-friendly commercial vehicles, i.e. \$154 million in the financial year of 2011-2012; and
  - (c) fuel duty foregone for supporting the use of Euro V diesel with virtually no sulphur content, i.e. \$2,018 million in the financial year of 2011-2012;
- the public expenditure reflected only a fraction of the Government's efforts to clean up the air of Hong Kong. Most of the emission reduction efforts were made through the mandatory control programmes, e.g., the imposition of stringent emission caps on power sector, implementing various energy saving measures to reduce electricity demands, upgrading the emission limits on vehicles, tightening the fuel sulphur content of commercial/industrial diesel fuel, prohibition of the import and manufacture of commercial and consumers products with excessive volatile organic compound contents; and
  - the EPD did not have the information on the public expenditure of other countries/economies on tackling air pollution as the percentage of their respective GDP for comparison. As the air pollution issues encountered by different countries and their control strategies were different, it was very difficult to make comparison with other countries/economies.

### **C. Administration of air pollution index**

#### Air pollution index reporting system

25. Air pollution index ("API") is a simplified and generalized way for reporting air quality. Different countries have adopted different methodologies in compiling APIs. In June 1995, the EPD established the Hong Kong API reporting system. In 1999, the EPD commenced compiling hourly APIs for all monitoring stations. Under the system, the hourly concentration level of each of the five air pollutants (namely SO<sub>2</sub>, NO<sub>2</sub>, PM<sub>10</sub>, CO and O<sub>3</sub>) measured at each monitoring station is compared with the corresponding AQO for compiling the API for each pollutant, which ranges from 0 to 500. The highest API amongst the APIs of the five pollutants is taken and reported as the hourly API of that station.

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26. In recognition of the high health risks associated with very high air pollution, i.e. an API exceeding 100, the EPD has set a performance target since 2006-2007 that the number of days with API not exceeding 100 in a year should be 365, i.e. the API should not exceed 100 on any day in a year.

27. The Committee referred to Figure 5 in paragraph 3.10 and Figure 6 in paragraph 3.11 of the Audit Report which revealed that the EPD had never achieved its performance target on API since setting the target in 2006-2007. The Committee was very concerned about the worsening air pollution, particularly at the roadside level, and asked about:

- the number of days with API exceeding 200 from 2007 to 2011; and
- the reason(s) for the increase in the number of days with API exceeding 100 in a year from 74 in 2007 to 175 in 2011 (i.e. a 136% increase).

28. The **Director of Environmental Protection** responded and elaborated in her letter of 20 December 2012 (in *Appendix 11*) that:

- from 2007 to 2011, there were only three days in which API exceeded 200, details of which were set out in the following table:

Number of days with API exceeding 200 at any stations					
	2007	2008 <sup>#</sup>	2009	2010*	2011
General	0	1	0	2	0
Roadside	0	0	0	2	0
Overall	0	1	0	2	0
<sup>#</sup> The incident happened in July 2008 and was caused by regional photochemical smog with O <sub>3</sub> as the culprit pollutant <sup>*</sup> The incident happened in March 2010 when Hong Kong was affected by a dust plume originated from Northern China					

- from 2007 to 2011, the number of days with general API exceeding 100 in a year had been relatively stable, ranging from 19 to 22 days. However, during the same period, the number of days with roadside API exceeding 100 in a year increased from 68 to 172 due to an increase in NO<sub>2</sub> concentration. These NO<sub>2</sub> emissions mainly came from franchised

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buses, LPG vehicles with worn-out catalytic converters, and the heavily polluting diesel commercial vehicles (i.e. pre-Euro ones). The rise in O<sub>3</sub> level in the PRD Region had also aggravated the conversion of nitric oxide emitted from vehicles into NO<sub>2</sub>; and

- to tackle the roadside NO<sub>2</sub> problem, the Government had been taking forward the following measures:
  - (a) launching of a three-year incentive scheme in 2007 to encourage the replacement of pre-Euro and Euro I diesel commercial vehicles with new ones and another three-year incentive scheme in 2010 for replacing Euro II diesel commercial vehicles with new ones;
  - (b) conducting a trial of retrofitting Euro II and Euro III franchised buses with selective catalytic reduction devices for reducing nitrogen oxide emissions. If the trial was successful, the Government would fully fund the retrofit of the devices on these buses;
  - (c) setting up low emission zones in heavy traffic areas in Causeway Bay, Central and Mongkok by increasing the use of low emission franchised buses;
  - (d) making preparations to strengthen the emission control for petrol and LPG vehicles including the deployment of remote sensing equipment and dynamometers for testing of vehicles' emissions; and
  - (e) collaborating with Guangdong to improve regional air quality in particular, O<sub>3</sub>, which aggravates the formation of NO<sub>2</sub> at the roadside.

29. As revealed in paragraph 3.10 of the Audit Report, the API trend had worsened from 2007 to 2011. The Committee considered that the EPD needed to publish on its website reader-friendly information on any adverse trends in air quality so that the public could be adequately alerted on the worsening air quality.

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30. In response to the Committee's concern, the **Under Secretary for the Environment** and the **Assistant Director of Environmental Protection** said that:

- the EPD's website provided an extensive amount of information on API performance or air-quality data over the years for reference by the public;
- the EPD would endeavor to provide on its website air-quality data and information on API performance in reader-friendly manner; and
- the EPD was committed to providing accurate, comprehensive and timely information and data on air quality for reference by the public.

31. According to paragraph 3.18 of the Audit Report, as of September 2012, when the roadside API of Central, Causeway Bay or Mong Kok exceeded 100, the EPD would inform the public of the district concerned and the recorded API, together with a precautionary advice that "persons with heart or respiratory illnesses are advised to avoid prolonged stay in areas with heavy traffic". However, there was a risk that members of the public might interpret the advice as air quality at roadside of all districts other than the named district was satisfactory. In this regard, the Committee asked:

- whether consideration would be given to improving the precautionary advice given to the public when roadside API exceeded 100; and
- whether consideration would be given to disseminating the API information and the precautionary advice through other effective means.

32. The **Assistant Director of Environmental Protection** reported that the EPD collected roadside air-quality data in places other than the three roadside AQMSs and found that the data from the three roadside AQMSs were representative of the roadside air quality of places with heavy vehicular and pedestrian traffic and poor air dispersion. Members of the public at roadside with heavy vehicular and pedestrian traffic and surrounded by tall buildings were advised to refer to the roadside APIs for reference. The **Director of Environmental Protection** said and stated in her letter of 20 December 2012 (in Appendix 11) that:

- the EPD had amended the precautionary advice for roadside API exceeding 100 since October 2012;

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- the set of precautionary advice had been drafted taking account of the advice of medical professionals and should be sufficiently clear and specific for the public including the more vulnerable groups; and
- if the API was at very high or severe level, i.e. above 100, the precautionary advice would be disseminated through the following channels:
  - (a) the EPD's website and other government webpage (e.g. GovHK webpage);
  - (b) mobile applications, i.e., GovHK Notifications;
  - (c) interactive voice recording system at 2827 8541;
  - (d) hourly reports via Information Services Department to the media including televisions, radios and newspapers;
  - (e) emails to Education Bureau and other government departments so that they could inform their respective stakeholders;
  - (f) press release in case of widespread, prolonged and very high API incidents; and
  - (g) API information was also provided at the display boards at the entrances of Mass Transit Railway stations; and
- the EPD would regularly review the effectiveness of the existing channels for disseminating API information and related precautionary advice to the public.

33. At the request of the Committee, the **Director of Environmental Protection** provided in her letter of 20 December 2012 (in Appendix 11) a copy of the set of precautionary advice issued for various levels of API.

#### Review of API reporting system

34. As reported in paragraph 3.20 of the Audit Report, APIs of other countries have taken account of the combined health impact of a number of pollutants, whilst the existing API in Hong Kong only reflects the concentration level and health

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impact of the contributing pollutant. The Committee noted from paragraph 3.19 of the Audit Report that in April 2008, the EPD appointed a consultant to conduct a review of the API reporting system with a view to developing a new API reporting system. After a lapse of four years, the consultant submitted its final review report ("the API Review Report") to the EPD in June 2012.

35. At the request of the Committee, the EPD undertook to submit the API Review Report to the Panel on Environmental Affairs ("EA Panel") of the LegCo in December 2012. The EPD also undertook to consult the EA Panel in the second half of the 2012-2013 legislative session on its action plan to revamp the existing API reporting system, taking into account the findings and recommendations of the consultant.

36. The Committee further asked about the action plan of the EPD in the implementation of the new API reporting system.

37. **Mr PANG Sik-wing, Principal Environmental Protection Officer (Air Policy)**, and the **Under Secretary for the Environment** said that:

- the study team of the review of API reporting system had critically reviewed the latest overseas practices, including those adopted in the USA, UK, Australia and Canada. In particular, the study team had made reference to the Canadian Air Quality Health Index, and local health and air-quality data in coming up with the new API reporting system;
- the new API would report the public health risks associated with excessive exposure to air pollution, and give better and more relevant information to the public for better protection from potential adverse health effects arising from excessive exposure to air pollution; and
- the EPD planned to report the findings and recommendations of the API Review Report to the EA Panel in early 2013 and consult relevant stakeholders in parallel on the necessary preparatory work, such as the development of a system for computing and disseminating the new API information, development of guidelines for schools and key stakeholders in response to high pollution conditions as well as publicity of the new API reporting system.

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38. Apart from a new API reporting system that could better communicate to the public the health risks associated with air pollution, the Committee held the view that the API information should accurately reflect measurements of air quality against specified standards. The Committee asked whether the Government had any plan to develop a health index with local reference for the purpose of measuring the quality of life in Hong Kong.

39. The **Under Secretary for the Environment** said that there was no such plan at this stage. She however concurred with the Committee that Hong Kong was in lack of relevant research findings relating to the health impact of local air quality when formulating air policies and air-quality management strategy.

Air-quality monitoring network

40. From 1983 to 1999, the EPD had established 14 air-quality monitoring stations ("AQMS") in various districts, including 11 general stations and three roadside stations. Each of the general stations has a normal coverage of 4 km. The Committee noted Audit's observation in paragraph 3.15 that the EPD completed its first overall network assessment in May 2011 and did not consider there was an immediate need for additional monitoring stations, despite the fact that some LegCo Members had repeatedly expressed their concerns about the adequacy of the monitoring network at different LegCo meetings from 2007 to 2012.

41. Against the above background, the Committee queried:

- the criteria upon which the need for establishing a new AQMS was assessed;
- whether the air-quality data analysis would be enhanced with increased number of AQMSs;
- whether the financial and staffing implications were impediments to the setting-up of additional AQMSs; and
- whether the EPD had any plan to set up new AQMSs, and if so, the considerations behind the choice of the site(s).

42. The **Assistant Director of Environmental Protection** explained that:

- the air-quality monitoring network gauged data on air quality for developing effective air-quality management strategy, as well as assessing compliance with the AQOs and health risks associated with poor air quality. It also collected data for working out the current and projected air quality. In line with the international practices, the EPD considered a number of factors, including the spatial distribution of the network, the coverage of different types of development area (e.g. urban area, new towns and rural area), local population, the distribution of vehicular traffic and sources of pollution, the capability in monitoring regional air pollution, topography, etc., when choosing the site of an AQMS;
- Hong Kong was a small and densely populated city with economic activities mainly in commercial and financial area. As such, vehicle emission was a key local source of air pollution and the levels of air pollution in different districts are mainly determined by their respective types and density of development. As the current air-quality monitoring network had an adequate spatial distribution of general AQMSs covering different land uses (commercial, residential, industrial and mixed) of the urban, new town and rural area, it was not necessary to set up a general AQMS in each district;
- all the existing three roadside AQMSs (i.e. located in Central, Causeway Bay and Mongkok) were installed in the busiest streets of urban areas with very high vehicular and pedestrian traffic, and surrounded by tall buildings. According to the EPD's evaluation, the existing three roadside AQMSs were adequate for collecting representative data of the roadside air quality in places with heavy vehicular and pedestrian traffic, and poor air dispersion. Hence, it was not necessary to increase the number of roadside AQMSs;
- to ensure that the network meets the monitoring objectives, the EPD would continue to review annually the adequacy of the network and the need for establishing new AQMSs, taking into account the most updated situation of the changes in land use, sources of pollution and population coverage, etc. The capital cost for setting up an AQMS was estimated to be \$3 million and the annual recurrent cost was about \$1.5 million to \$2 million. The EPD considered the existing network adequate for collecting representative data of air quality for developing effective air-quality management strategy; and



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- subsequent to the 2012 review of the air-quality monitoring network, the EPD concluded that new AQMSs should be set up in Tuen Mun and Tseung Kwan O. As a sludge incinerator would be set up in Tuen Mun, an AQMS was being built in the district to monitor the impact on the air quality. For Tseung Kwan O, an AQMS was considered justified, taking into consideration the rapid development and population growth in the district as well as the fact that it differed significantly from other districts in terms of air dispersion.

43. The Committee noted from paragraph 3.13 of the Audit Report that amongst the 18 administrative districts in Hong Kong, the EPD had not installed general air-quality monitoring stations in eight districts, namely Hong Kong Island Southern District, Wan Chai, Yau Tsim Mong, Kowloon City, Wong Tai Sin, Sai Kung, Tuen Mun, and New Territories North District. As a result, the EPD had not published any district-based APIs for these eight districts. As stated on the EPD's website, residents of the eight districts without district-based API were advised to refer to the air-quality information of other districts with similar development characteristics. However, there was no information about the relevant districts that should be referred to. The Committee asked whether consideration would be given to making arrangements to facilitate residents of these eight districts without general stations to gain access to the district-based API.

44. The **Under Secretary for the Environment** responded that meeting the objectives of monitoring air quality for developing effective air-quality management strategy and assessing compliance with the AQOs had been the main consideration of the EPD in its annual assessment or five-yearly overall assessment of the monitoring network. Nonetheless, the EPD would not rule out the possibility of taking into account the need for better communicating timely air-quality information to the public when it conducted the assessment of the monitoring network in future.

45. In response to the Committee's enquiry, the **Assistant Director of Environmental Protection** agreed to provide the district-based coverage of the general air-quality monitoring stations on the EPD's website to facilitate residents of the eight districts without general stations to refer to the relevant districts for district-based API. At the request of the Committee, the **Director of Environmental Protection** provided a copy of the information on the district-based coverage of the general stations shown on the EPD's website as follows:

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<b>Ambient Air Quality Monitoring Station</b>		<b>Characteristics of the Area Where the Station is Located</b>	<b>District(s) Represented by the Station</b>
1.	Central/ Western	Urban: densely populated residential area with commercial developments	Central and Western, Wan Chai, Southern (depending on the location)
2.	Sham Shui Po	Urban: densely populated residential area with commercial developments	Sham Shui Po, Yau Tsim Mong, Kowloon City
3.	Eastern	Urban: densely populated residential area	Eastern, Southern (depending on the location)
4.	Kwun Tong	Urban: densely populated residential area with mixed commercial/industrial developments	Kwun Tong, Wong Tai Sin
5.	Kwai Chung	Urban: densely populated residential area with mixed commercial/industrial developments	Kwai Tsing
6.	Tsuen Wan	Urban: densely populated residential area with mixed commercial/industrial developments	Tsuen Wan
7.	Tai Po	New town: residential area	Tai Po, North (including Sheung Shui and Fanling)
8.	Sha Tin	New town: residential area	Shatin, Sai Kung (including Tseung Kwan O)
9.	Tung Chung	New town: residential area	Islands
10.	Yuen Long	New town: residential area	Yuen Long (including Tin Shui Wai, Tuen Mun)
11.	Tap Mun	Rural	

#### **D. Performance reporting**

46. The Committee considered that to meet the challenges arising from the 2014 AQOs, there was a need for the ENB/EPD to set up a system for effective monitoring of the extent of achieving the AQOs and for publicizing the progress of achievement periodically.

47. The **Under Secretary for the Environment** accepted the recommendation of the Committee that by incorporating appropriate performance targets in the Controlling Officer's Reports, members of the public and LegCo Members could effectively monitor the achievement of these performance targets and progress made in the implementation of the 22 air-quality improvement measures.

48. The **Under Secretary for the Environment** further said that the EPD would have to play the role of an activist in taking forward the recommendations of Audit and the Committee, including proactively disseminating to the public readily accessible and user-friendly air-quality information. The EPD would have to hold itself accountable to the public in publishing the measurement results against specified standards and addressing any concerns over inadequacies in achieving the AQOs.

49. According to paragraph 4.14 of the Audit Report, the Committee was concerned that although the EPD provided comprehensive information on its website on air quality and air pollution control in Hong Kong, some important information was not readily accessible by the public or regularly updated. The **Director of Environmental Protection** accepted Audit's recommendation that the EPD should make available on its website the information identified by Audit. She provided in her letter of 20 December 2012 (in Appendix 11) a list of readily accessible and user-friendly information on air programme, API information as well as emission inventory, etc. posted on the EPD website since October 2012.

## **E. Conclusions and recommendations**

50. The Committee:

<b>Overall comments</b>
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- is strongly of the view that government expenditure should be better spent on preventive measures to protect public health by improving air quality than on medical cost arising from curing health problems associated with air pollution;
- expresses great dissatisfaction and finds it unacceptable that:
  - (a) the Director of Environmental Protection, as the Air Pollution Control Authority, has failed to achieve the air quality objectives ("AQOs") under section 8 of the Air Pollution Control Ordinance ("APCO") (Cap. 311) since their adoption in 1987;
  - (b) despite the recommendations made by the Committee in its Report No. 29 of February 1998 that the Government should expedite action to revise the AQOs and plan ahead to implement additional control measures necessitated by the revised AQOs, the existing AQOs had neither been achieved nor revised in the past 15 years. The existing AQOs in Hong Kong were less stringent than the then health-based air quality standards of the World Health Organization ("WHO"), the United States Environmental Protection Agency and the United Kingdom;
  - (c) the 2014 AQOs for respirable suspended particulates (expressed as "PM<sub>10</sub>" which are particulate matters with a diameter of 10 micrometres (µm) or less ), particulate matters with a diameter of 2.5 µm or less ("PM<sub>2.5</sub>"), ozone ("O<sub>3</sub>") and sulphur dioxide ("SO<sub>2</sub>") were mostly set based on the WHO Interim Targets, which serve as milestones to facilitate a progressive approach for achieving the WHO Air Quality Guidelines ("AQGs"). The Environmental Protection Department ("EPD") had not set time targets with milestones for the progressive achievement of the 2014 AQOs, not to mention the timetable for further tightening the AQOs in light of the WHO AQGs;

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- (d) the EPD has set a performance target that there should not be any day in a year with air pollution index ("API") exceeding 100 but the EPD has never achieved this target since its adoption in 2006-2007; and
  - (e) the EPD had not reported to the Panel on Environmental Affairs ("EA Panel") of the Legislative Council ("LegCo") its action plan to revamp the existing API reporting system;
- notes that according to the EPD's consultant, upon attainment of the more stringent levels of AQOs that would take effect from 2014, about 4 200 unnecessary hospital admissions and 7 400 statistical life years would be saved each year (or an improved average life expectancy of around one month for the entire population);
  - acknowledges:
    - (a) the commitment of the Secretary for the Environment and the Under Secretary for the Environment in that there had been a shift in the priority setting of the Government's policies recently, and the Government would focus on the enhancement of public health and take a proactive approach in managing air-quality strategy; and
    - (b) that, under the Policy Group led by the Chief Secretary for Administration, the Environment Bureau ("ENB") will seek to enhance and strengthen cross-bureaux and cross-departments co-operation in the formulation and implementation of air-quality improvement policies;

<b>Specific comments</b>
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Management of air quality objectives

*Revision of air quality objectives*

- expresses grave concern over the worsening air pollution in Hong Kong and its acute health effects;

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- notes that:
  - (a) the AQOs serve as the statutory objectives for protecting public health and the key references to the EPD in assessing whether the air-quality impact of designated projects is acceptable for approval under the Environmental Impact Assessment Ordinance (Cap. 499); and
  - (b) the Government projects for which Environmental Impact Assessment studies had not yet commenced would adopt the new AQOs;
- expresses great dissatisfaction and finds it unacceptable that the EPD had not taken the opportunity to revise the AQOs taking account of practices in other countries and cities after the 1997 Review and 2007 Consultancy Review;
- expresses great dissatisfaction and disappointment that the 2014 AQOs still do not provide adequate protection of public health when compared with the WHO AQG levels;
- does not accept the explanations given by the ENB and the Director of Environmental Protection as to why the Administration had not timely revised the AQOs in the past years;
- notes that:
  - (a) the Government announced in January 2012 that it would adopt a new set of AQOs for implementation in 2014; and
  - (b) the EPD has, in response to Audit's recommendation, committed to reviewing the AQOs at a frequency no less than once every five years;

*Achievement of air quality objectives*

- expresses great dissatisfaction and finds it unacceptable that although the EPD is tasked to achieve the AQOs, the existing AQOs have never been fully achieved since their adoption in 1987, i.e. some 26 years ago;
- expresses great dissatisfaction and disappointment that:

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- (a) the concentration levels of some pollutants have significantly exceeded the AQO limits and the limits specified in the AQGs of the WHO, which may cause detrimental health effects on members of the public; and
  - (b) the air quality in Hong Kong is unsatisfactory when compared with that of some world cities;
- notes that the Administration has agreed with Audit's recommendations that:
- (a) the EPD will intensify efforts to reduce emissions to a level that minimizes health risk to the public;
  - (b) in collaboration with the relevant Government bureaux/departments ("B/Ds") and stakeholders, the EPD is implementing a package of 22 air-quality improvement measures with a view to achieving the new AQOs as soon as practicable;
  - (c) the EPD will continue to improve on the provision of air-quality data and information to the public, as well as to make the reports more reader-friendly;
  - (d) the ENB and EPD have put forward a series of vehicle emission-control measures targeting at franchised buses, liquefied-petroleum gas taxis and public light buses, and diesel commercial vehicles, and will formulate additional control measures to tackle roadside air-quality problems; and
  - (e) the five-year periodic review mechanism will enable the EPD to tighten progressively the AQOs and forthcoming working targets;

Administration of air pollution index

*Air pollution index reporting system*

- expresses grave dismay and finds it unacceptable that:
- (a) the EPD has never achieved its performance target on API since setting the target seven years ago in 2006-2007;

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- (b) the EPD had not disseminated to the public readily accessible information on the upward trend of the number of days with API exceeding the very high level of 100 from 74 days in 2007 to 175 days in 2011, and the fact that the deterioration might have caused detrimental health effects on members of the public;
  - (c) the roadside air pollution has worsened in recent years, attributable to the vehicle emission problem; and
  - (d) there was a delay in the EPD's submission of the consultant's review report of the API reporting system to the Subcommittee on Improving Air Quality under the EA Panel;
- notes that:
- (a) in April 2008, the EPD commissioned a consultancy study with a view to devising a new API reporting system for timely communication of air-related health risk to members of the public. The consultant only submitted its final review report to the EPD in June 2012; and
  - (b) the Administration has agreed with Audit's recommendation that the EPD is considering the recommendations of the consultant for the API review for revamping the API reporting system and has planned to engage relevant stakeholders to explain to them the operation and implications of the proposed new air-quality reporting system, and to develop necessary guidelines in the coming months. The new system will be implemented after completion of the preparatory work and approval of the new AQOs by the LegCo;
- acknowledges that the EPD:
- (a) had, in December 2012, submitted to the Subcommittee on Issues Relating to Air, Noise and Light Pollution under the EA Panel the consultant's review report of the API reporting system;
  - (b) will consult the EA Panel in the second half of the 2012-2013 legislative session on its action plan to revamp the existing API reporting system, taking into account the findings and recommendations of the consultant; and



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- (c) will consider adopting more effective means to disseminate to the public the precautionary advice for roadside API exceeding 100;

*Air-quality monitoring network*

- expresses serious concern that:
  - (a) only 10 of the 18 administrative districts have been provided with district-based APIs to provide timely air-quality information to the public, as the EPD considered the existing air-quality monitoring network adequate for collecting representative data for the purpose of formulating air-quality management strategies; and
  - (b) the precautionary advice issued when a roadside API of a district exceeding 100 was not clear and specific;
- notes that:
  - (a) the EPD had provided additional information on its website showing the district-based coverage of the general air-quality monitoring stations since October 2012;
  - (b) the EPD had amended the precautionary advice for roadside API exceeding 100 since October 2012; and
  - (c) the Administration has agreed with Audit's recommendation that the EPD will continue to review the air-quality monitoring network on an annual basis and monitor closely the need for setting up new stations;
- acknowledges that the EPD will set up a general API monitoring stations each in Tuen Mun and Tseung Kwan O, and the one in Tuen Mun will be put to use in the second half of 2013;

Performance reporting

- expresses grave concern that:
  - (a) the EPD has not published in its Controlling Officer's Reports ("CORs") time targets for achieving the AQO levels and the progress of achieving the targets;

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- (b) the EPD has not published in its CORs the adverse trend in API performance against the EPD target; and
  - (c) some important information on the EPD's website was not readily accessible by the public or not regularly updated;
- notes that:
- (a) the EPD had finalised the 2010 emission inventory, and the information was uploaded onto the EPD's website in October 2012;
  - (b) the EPD had included performance reporting of the air-quality situation on its website and improved the presentation of the reports; and
  - (c) the Administration has agreed with Audit's recommendations that:
    - (i) time targets for achieving the AQO levels will be announced in early 2013;
    - (ii) the EPD will report in the CORs if the performance targets are not met and the key reasons involved. Relevant follow-up measures will also be identified; and
    - (iii) for the emission-reduction measures targeting at vehicles and vessels, the EPD has been working on the implementation of measures jointly with the B/Ds concerned, and will monitor the progress of meeting these targets and compile regular reports as appropriate in collaboration with these B/Ds;
- acknowledges that the EPD will include in its CORs the progress made in implementing the 22 air-quality improvement measures and how that has been translated into the gradual attainment of the 2014 AQOs;

<b>Way forward</b>
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- notes that the Administration:
- (a) will take into account views and suggestions made by the Committee in the implementation of air-quality improvement measures; and

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- (b) has set up a Policy Group, chaired by the Chief Secretary for Administration, to coordinate policies on sustainable development, the environment and energy;
- strongly recommends that the policies and initiatives on the environment should be accorded a high priority in the Chief Executive("CE")'s 2013 Policy Address and the 2013-2014 Estimates;
- urges the Administration to consider commissioning studies on the health impact of local air quality;
- acknowledges that in his 2013 Policy Address, the CE:
  - (a) proposed to set aside \$10 billion as subsidies to owners of over 80 000 heavily polluting pre-Euro and Euro I to III diesel commercial vehicles in order to phase out progressively these vehicles having regard to their pollution level;
  - (b) proposed to set a service life limit for newly registered diesel commercial vehicles at 15 years;
  - (c) undertook to explore ways to rationalize bus routing, enhance feeder service and improve interchange arrangements in order to reduce roadside pollution;
  - (d) planned to submit to LegCo in the next legislative session a legislative proposal for requiring ocean-going vessels at berth within Hong Kong waters to switch to low-sulphur diesel following the completion of consultation with the maritime sector; and
  - (e) planned to seek funding approval from the Finance Committee of LegCo to install onshore power supply facilities at the Kai Tak Cruise Terminal for use by cruise vessels; and

<b>Follow-up action</b>
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- wishes to be kept informed of the progress made in implementing the various recommendations made by the Committee and Audit.

## **A. Introduction**

The Audit Commission ("Audit") conducted a review to examine the implementation of air-quality improvement measures by the Environment Bureau ("ENB"), the Environmental Protection Department ("EPD"), the Transport and Housing Bureau ("THB"), the Transport Department ("TD") and the Marine Department ("MD").

2. **Hon Abraham SHEK Lai-him** declared that he was currently an Independent Non-executive Director of the Mass Transit Railways Corporation, and the NWS Holdings Limited under which the New World First Bus Services Limited and Citybus Limited run franchised bus business.

3. **Hon NG Leung-sing** declared that he was currently an Independent Non-executive Director of the Mass Transit Railways Corporation.

## **B. Emission control of vehicles**

4. According to paragraph 4 of the Executive Summary of the Audit Report, in 2010, emissions from vehicles accounted for 30% of nitrogen oxides ("NO<sub>x</sub>") and 21% of particulate matters with a diameter of 10 micrometres or less ("PM<sub>10</sub>") of the total emissions in Hong Kong. In 2011, five of the 13 roadside air quality objective ("AQO") measurements had exceeded the AQO limits and there were 172 days with the roadside air pollution index exceeding the very high air pollution level of 100, ranging from 101 to 192. According to the EPD, diesel commercial vehicles were the main source of roadside pollution. As of March 2012, there were 53 724 pre-Euro, Euro I and Euro II diesel commercial vehicles running on the streets, causing serious air pollution.

5. **Mr WONG Kam-sing**, the **Secretary for the Environment**, said that the Administration would promulgate further emission-control measures at an appropriate time to address roadside pollution problem. In coming up with these measures, regard would be given to striking a balance in attaining the new emission-reduction targets for 2015 and 2020 reached with the Environmental Protection Department of the Guangdong Provincial Government ("Guangdong EPD") and allowing adequate time for owners of aged diesel commercial vehicles to replace their vehicles with new ones which met the prevailing statutory emission standard. He further said that tackling air pollution was the top priority of the ENB

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and the EPD, and safeguarding public health would be the cornerstone when formulating clean air policy.

6. **Professor Anthony CHEUNG**, the **Secretary for Transport and Housing**, said that he, the Secretary for the Environment and the Secretary for Development all agreed that improving the air quality of Hong Kong must be dealt with expeditiously. To this end, they and their respective staff had been holding meetings on a regular basis to come up with effective measures to address air pollution, including adopting a "carrot and stick" approach to tackling the problem.

Emissions from aged diesel commercial vehicles

7. The Committee noted that whilst the one-off grant scheme introduced by the EPD from August 2000 to December 2003 to replace diesel taxis by liquefied-petroleum-gas ("LPG") ones ("the 2000 Taxi Grant Scheme") had been effective (i.e. about 99.8% participation rate), the one-off grant scheme introduced by the EPD from August 2002 to December 2005 to replace diesel light buses with LPG ones ("the 2002 Public Light Bus Grant Scheme") had been less effective (i.e. 54% participation rate). The Committee asked why the response to the 2002 Public Light Bus Grant Scheme was lukewarm, and the measures which would be taken by the EPD to replace the remaining 34% of the public light buses by LPG or Euro V or above ones and the time targets for implementing these measures.

8. **Mr MOK Wai-chuen**, the **Assistant Director of Environmental Protection**, responded that:

- owners of diesel public light buses did not replace their buses by LPG ones because most of these light buses were green minibuses operating on fixed routes and/or schedules and in areas not serviced by LPG filling stations; and
- the Government had a standing policy since 2000 that petrol filling stations on the land sale programme would have to provide LPG filling services, taking into account the safety and technical feasibility of individual sites concerned.

9. **Ms Anissa WONG Sean-ye**, the **Director of Environmental Protection**, stated in her letter dated 28 December 2012 (in *Appendix 12*) that:

- there were at present 12 designated LPG filling stations and 49 petrol-cum-LPG filling stations throughout the territory. The EPD planned to increase the proportion of LPG nozzles in petrol-cum-LPG filling stations up to 25% where the site conditions and safety requirements permitted upon the expiry of the current lease of such stations; and
- in view of the shortfall of LPG filling facilities on Hong Kong Island, the EPD had identified two potential sites for setting up petrol-cum-LPG filling stations at Fung Mat Road, Western District and Tin Wan, Southern District respectively. The Central and Western District Council had objected to the former due to the development of waterfront consideration. As for the latter, it was currently used as a temporary works area for a sewage project and would be available around 2014. Subject to the support of the Southern District Council, the site could be developed into a petrol-cum-LPG station in 2016 the earliest.

10. The Committee noted that the participation rate of the one-off grant scheme introduced by the EPD from April 2007 to March 2010 to replace pre-Euro and Euro I diesel commercial vehicles with Euro IV ones ("the 2007 Grant Scheme") was only 29%. The Committee asked why this was the case.

11. The **Director of Environmental Protection** responded that:

- the EPD had carried out a lot of publicity work and had widely consulted the relevant stakeholders before launching the 2007 Grant Scheme. Nevertheless, as the Scheme was a partially subsidization programme based on the "polluter pays" principle, it was understandable that owners of aged diesel commercial vehicles would consider a number of factors, such as their financial situation and future business environment, before deciding whether or not to take up the grant;
- given the relatively lukewarm response towards the voluntary vehicle replacement programme, the EPD had sought the views of the Panel on Environmental Affairs ("the EA Panel") of the Legislative Council ("LegCo") in 2008 on the proposal of raising the licence fee for aged diesel commercial vehicles. However, the proposal was not supported

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by the LegCo EA Panel and the transport trade. In March 2010, the EPD also put forward a proposal to the LegCo Subcommittee on Improving Air Quality with a view to introducing disincentives but the proposal was also not supported; and

- in order to phase out the highly polluting diesel vehicles more effectively, the EPD considered it necessary to adopt both incentives and disincentives in introducing new schemes for vehicle replacement.

12. **Mr Andrew LAI Chi-wah, the Deputy Director of Environmental Protection**, supplemented that the reasons why the outturn participation rate of the 2007 Grant Scheme was much lower than that of the 2000 Taxi Grant Scheme and the 2002 Public Light Bus Grant Scheme were twofold:

- although savings in fuel cost could be achieved by using LPG in the case of taxis and light buses (for instance, according to an estimation made some 10 years ago, a LPG taxi could save fuel cost of about \$40,000 a year compared to a diesel taxi), diesel commercial vehicles could not be converted to run on LPG due to technical constraints; and
- amendments were made to the relevant legislation to stop importation of diesel taxis to Hong Kong from 1 August 2001. Similar disincentive was not adopted to complement the 2007 Grant Scheme.

13. The Committee was concerned that the total grants only amounted to \$772 million out of the provision of \$3,176 million for the 2007 Grant Scheme (24% of \$3,176 million), and that the unspent public money could have been better used in other areas in need.

14. The **Deputy Director of Environmental Protection** responded that:

- the provision of funding for the 2007 Grant Scheme was to ensure that all eligible owners who wished to take up the grant could receive the grant. In this connection, no estimation of the participation rate of the Scheme was made prior to seeking funding support from the Finance Committee ("FC") of LegCo; and
- in light of the experience of the 2007 Grant Scheme, funding for the three-year one-off grant scheme introduced in July 2010 to encourage

owners of Euro II diesel commercial vehicles to replace their vehicles by Euro IV or V ones ("the 2010 Grant Scheme") was provided on the assumption that about 30% of these owners would take up the grant.

15. The Committee was of the view that instead of introducing the 2010 Grant Scheme, consideration should be given to extending the duration of the 2007 Grant Scheme to enable more owners of pre-Euro and Euro I diesel commercial vehicles to replace their vehicles with those complying with the prevailing statutory emission standard.

16. The **Director of Environmental Protection** responded that the EPD had considered extending the duration of the 2007 Grant Scheme and decided not to do so. Not only extending the duration of the 2007 Grant Scheme might not be effective in attracting more vehicle owners to join the Scheme, but vehicle owners might be discouraged from participating as soon as possible in similar replacement scheme after it was rolled out.

17. On the suggestion of re-introducing the 2007 Grant Scheme, the **Director of Environmental Protection** said that the EPD was examining how to phase out more effectively heavily polluting diesel commercial vehicles and would consult the relevant stakeholders when a proposal was worked out. She reiterated that a regulatory-cum-incentive approach was necessary to make the exercise successful.

#### Emissions from LPG vehicles

18. According to paragraph 2.11 of the Audit Report, as of March 2012, nearly all taxis and 66% of public light buses were fuelled by LPG and were installed with emission-reduction devices which would wear out within a certain period of time (about 18 months) and needed to be replaced. According to the EPD:

- if worn-out emission-reduction devices are not timely replaced, emissions of NO<sub>x</sub> by LPG vehicles will increase by at least 10 times; and
- in 2012, emissions from LPG taxis and light buses accounted for about 40% of total vehicular NO<sub>x</sub> emissions on heavy-traffic roads.



The Committee asked about the cost of the emission-reduction device, and the measures which would be taken by the EPD to prevent excessive emissions from LPG vehicles.

19. The **Assistant Director of Environmental Protection** replied that:

- the cost of the emission-reduction device was about \$1,000;
- in April 2012, the FC approved \$150 million for implementing a six-month scheme to provide a one-off grant to fully subsidize the replacement of emission-reduction devices installed in LPG taxis and light buses; and
- upon the completion of the replacement scheme, the EPD would deploy roadside remote sensing equipment to screen out in-use petrol and LPG vehicles that emitted excessively, and required their owners to rectify the problem. A total of five remote sensing teams would be deployed to different locations in the territory for the screening. In line with the existing Smoky Vehicle Control Programme, those vehicles screened as emitting excessively would be required to pass an advanced emission test done with the aid of a chassis dynamometer at a designated vehicle emission testing centre within a prescribed period for ascertaining the rectification of the excessive emission problem. Failure to comply with the requirement would lead to cancellation of vehicle licence.

#### Emissions from Euro II diesel Government vehicles

20. The Committee noted that Euro II Government diesel vehicles would be replaced by new ones which met the prevailing statutory emission standard and the number of these vehicles would be reduced from 243 in December 2011 to 129 by March 2013. Whilst 122 of the 129 Euro II Government diesel vehicles would be phased out in 2013-2014, the remaining seven would be replaced in 2014-2015. Given the low emission standards of Euro II diesel vehicles vis-à-vis those of Euro IV and V ones, the Committee considered that the remaining seven Euro II Government diesel vehicles should also be replaced with new ones earlier.

21. The **Assistant Director of Environmental Protection** replied that according to the Government Logistics Department ("GLD") which monitored Government vehicles, the reason for not replacing the seven Euro II Government

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diesel vehicles with new ones earlier was that these vehicles were large special-purpose vehicles, such as a command vehicle used for fire-fighting, which were not used frequently and were costly, i.e. around \$3 million to \$4 million per vehicle.

Emissions from franchised buses

22. According to paragraph 6 of the Executive Summary of the Audit Report, franchised buses could account for up to 40% of the total vehicular emissions at busy traffic locations, causing health risks. The EPD consultant also estimated that a 10% reduction of bus trips could help reduce 156 tonnes of roadside NO<sub>x</sub> emissions, and the rationalization of bus services was the most cost-effective air-quality improvement measure as it did not involve significant additional costs for implementation. However, from 2009 to 2011, only 1.1% of bus trips had been reduced in three busy locations. The Committee asked about the measures which had been and would be taken by the Administration to address the problem and the time targets for implementing these measures.

23. **Mrs Ingrid YEUNG HO Poi-yan, the Commissioner for Transport,** replied that:

- bus service rationalization was an on-going exercise in response to changing passenger demand and the opening of new transport infrastructure. The TD would continue to pursue bus service rationalization and would make use of the commissioning of new railway lines in putting forward large-scale rationalization proposals; and
- to avoid the introduction of excessive direct bus services, help relieve congestion and minimize the environmental impact on busy corridors, the TD encouraged the bus companies to introduce more bus-bus and bus-rail interchange schemes and to offer the interchanging passengers with fare discounts. As at end September 2012, there were a total of about 248 bus-bus interchange schemes. Starting from 26 December 2012, the Tuen Mun Road Bus-Bus Interchange ("BBI") located on Tuen Mun Road (Kowloon-bound) near Siu Lam Interchange would be commissioned. Bus passengers could interchange at the BBI from short-haul routes to long-haul routes destined for Sha Tin and areas on Kowloon side. The Administration would continue to explore more suitable sites for implementation of the interchange schemes.

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24. The **Commissioner for Transport** further elaborated in her letter dated 21 December 2012 (in *Appendix 13*) other measures that had been taken and would be taken by the Administration to reduce emissions from franchised buses, summaries of which are as follows:

- increasing as far as possible the ratio of low emission franchised buses running in Causeway Bay, Central and Mongkok, with the target of having only low emission buses in these areas by 2015;
- encouraging franchised bus companies to take measures to reduce emissions, including retrofitting emission reduction device on their buses;
- a trial scheme to retrofit Euro II and Euro III diesel buses with selective catalytic reduction devices to reduce emissions of NO<sub>x</sub> had been undertaken jointly by the Government and the franchised bus companies since September 2011. Subject to satisfactory results, the EPD would fund the capital costs for retrofitting such devices on Euro II and Euro III franchised buses. The TD would report the findings of the trial to the LegCo EA Panel in January 2013. Subject to promising trial results and funding approval from FC of LegCo, the TD aimed at completing, on a best endeavour basis, the large scale retrofit by 2015;
- the Government would fund the full cost of procuring six hybrid and 36 electric buses for trial by the franchised bus companies. Trials of hybrid and electric buses would last for two years; and
- to reduce the black smoke emission from vehicles manufactured after 1 January 1990, the exhaust smoke limit was tightened in May 2008 from 60 to 50 Hartridge Smoke Unit in line with EPD's standard. The TD carried out annual inspections and spot checks on franchised buses to monitor the compliance with tightened smoke requirement.

25. The Committee noted from paragraph 2.23(a) of the Audit Report that in recent years, many bus route rationalization proposals which the TD considered worth pursuing were not taken forward because of concerns raised by the local communities through the District Councils ("DCs"). The Committee was of the view that the TD, the EPD and other departments concerned should make clearer to DCs the health risks caused by emissions from buses when seeking their support for bus route rationalization proposals.

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26. The **Commissioner for Transport** responded that the TD would, in collaboration with the EPD, step up efforts in reducing franchised bus trips and formulate a better strategy for reducing franchised buses with more focus/emphasis on the environmental benefits to society in consultation with franchised bus companies and related DCs.

27. On the question of whether consideration would be given to identifying suitable land to provide more bus interchanging facilities, the **Commissioner for Transport** replied that:

- the TD would continue to identify suitable land to provide more BBIs and explore the possibility of setting up more BBIs at major public transport interchanges and road corridors wherever appropriate so as to enhance passenger convenience and bus network efficiency; and
- suitable facilities, such as electronic information panels, shelters and benches, toilet facilities and vending machines, etc., would be included to enhance comfort and convenience of interchanging passengers where practicable.

28. To better control emissions from franchised buses, the Committee asked whether consideration would be given to reducing the serviceable life of these buses from the current 18 years to, say, 15 years.

29. The **Commissioner for Transport** considered that it would be more cost effective to reduce the emissions of franchised bus fleet through bus route rationalization and retrofitting after-treatment devices on in-use franchised buses for the following reasons:

- reducing serviceable life of franchised buses would have impacts on bus operation and the financial position of bus companies, which in turn would exert pressure on bus fare increase; and
- there were views questioning whether it was cost-effective to phase out franchised buses pre-maturely. According to the current age distribution of the franchised bus fleet, there would be about 3 000 buses, representing 50% of the entire franchised bus fleet, to be retired between 2013 and 2017. All the retired buses would be replaced by new buses which had to meet the bus design and facilities

requirements and the emission standards set by the TD and the EPD respectively. In addition, suitable emission-reduction devices might be installed as appropriate to upgrade the emission standards.

### **C. Emission control of marine vessels**

#### Enforcement of international standards

30. According to paragraph 7 of the Executive Summary of the Audit Report, in 2010, emissions from marine vessels accounted for 48% of sulphur dioxide ("SO<sub>2</sub>"), 36% of PM<sub>10</sub>, and 32% of NO<sub>x</sub> of the total emissions in Hong Kong. According to the International Maritime Organisation ("IMO"), air pollution from vessels is substantial and growing, causing serious and increasing public health and environmental impacts. Owing to increased maritime activities in Hong Kong and the Pearl River Delta ("PRD") region, emissions from vessels have substantially increased and become a significant source of air pollution in Hong Kong.

31. The Committee noted that between March 2009 and April 2012, the MD had informed the THB on five occasions on the need to introduce legislative amendments for adopting the IMO 2010 Standards. However, up to today, legislative amendments had still not been introduced. The Committee asked why the related legislative amendments were not introduced in a timely manner.

32. The **Secretary for Transport and Housing** and **Mr Francis LIU Hon-por**, the **Director of Marine**, explained that the Administration did not accord the highest priority to the legislative amendments for IMO 2010 Standards for the following reasons:

- nine pieces of marine-related legislation had been taken forward by the Administration since 2009, a list of which is in *Appendix 14*;
- pending local legislative amendments, the MD had promulgated guidelines through the Merchant Shipping Notices to facilitate compliance by Hong Kong registered ocean-going vessels ("OGVs") with the latest international standards and that in practice, the IMO 2010 Standards were already being complied with by the OGVs navigating in Hong Kong waters;

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- the Merchant Shipping (Prevention of Air Pollution) Regulation (Cap. 413M) allowed the MD to conduct port state control inspection on vessels within the waters of Hong Kong according to the latest IMO Standards. Section 39 of Cap. 413M specified that if the inspection revealed any deficiencies, the MD might take appropriate steps to ensure that the vessel concerned did not proceed to sea until the situation had been rectified in accordance with the requirements of the latest IMO Standards. In 2009, 2010 and 2011, the MD conducted 776, 820 and 854 port state control inspections on OGVs respectively, and no non-compliance with the IMO 2010 Standards was identified; and
- whilst the IMO 2010 Standards were primarily set for OGVs, the local vessels and river-trade vessels in Hong Kong waters were already using a fuel with a sulphur content of about 0.5% which was much lower than the IMO 2010 Standards (i.e. 3.5%).

33. As regards the timing for introducing legislative amendments for incorporating the IMO 2010 Standards into the local legislation, the **Secretary for Transport and Housing** advised in his letter dated 28 December 2012 (in *Appendix 15*) that the THB aimed to consult the LegCo Panel on Economic Development by June 2013 on the proposed legislative amendments. Furthermore, in taking forward the legislative amendment exercise, the THB would consider expanding the use of the direct reference approach in the relevant legislation as far as possible. This would enable the local legislation to follow the latest IMO Standards automatically and hence reduce the need for going through the legislative processes in view of the frequent updates of the IMO Standards.

Measures to lower emissions from marine vessels

34. The Committee noted from paragraph 3.19 of the Audit Report that some overseas countries, such as Australia and Canada, had already adopted more stringent standards for local vessels to use diesel with a sulphur limit of 0.001% to 0.0015%, and the Mainland would also adopt from July 2013 a standard with a sulphur limit of 0.035% for diesel used by local vessels. The Committee asked why Hong Kong had no plan to require local vessels to use ultra-low-sulphur diesel ("ULSD") which had a sulphur content not exceeding 0.005%, despite the fact that it was technically feasible to do so according to the findings of a trial scheme conducted by the EPD in October 2007 on exploring the feasibility of using ULSD on local ferries. The Committee further asked why the Government only planned to lower the sulphur

limit of the diesel used by local vessels from the existing 0.5% to 0.05% referred to in paragraph 3.17 of the Audit Report.

35. The **Director of Environmental Protection** replied that:

- whilst the trial scheme demonstrated that the use of ULSD to local ferries was technically feasible, the fuel cost would increase by more than 20% due to additional handling costs for supplying ULSD for this specific segment in the local marine sector;
- to avoid the additional handling costs and maximize the air quality improvement benefit, it was considered that the use of ULSD should best be applied to all local vessels instead of ferries alone. However, as engines of many local vessels were old home-made ones, the local marine trade and the MD had expressed concerns about the impacts of the use of USLD on the operation and safety of local vessels; and
- being a fuel with closer resemblance to the existing 0.5% sulphur-content diesel used by local vessels but with much lower emission levels, the 0.05% sulphur diesel would better address these operational and safety concerns. The 0.05% sulphur-content diesel could reduce SO<sub>2</sub> emission by 90% from the current levels.

36. On the question of whether the EPD had any plan to lower the sulphur content of the diesel used by local and river-trade vessels plying in Hong Kong waters to 0.035% so as to dovetail with the standard to be adopted by the Mainland for its local vessels from July 2013, the **Assistant Director of Environmental Protection** replied in the negative for the following reasons:

- diesel fuel with 0.05% sulphur content, but not 0.035%, was a common grade of diesel for fuel suppliers in the East Asian markets. To ensure satisfactory fuel supply to the marine industry of Hong Kong, there was a need to make reference to the norm of major fuel suppliers to local vessels; and
- due to the small difference in the sulphur content between the two diesel fuels and that fuel suppliers would also maintain a sufficient margin in complying with sulphur limit, it was expected that the sulphur content of fuel to be supplied in Hong Kong after the tightening would be close to that adopted in the Mainland.

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37. According to paragraph 3.20 of the Audit Report, a three-year incentive scheme (by waiving half of the port facilities and light dues) was launched by the EPD and the MD in September 2012 to encourage OGVs to switch to using diesel with a sulphur limit of 0.5% when berthing in Hong Kong waters. The Committee asked about the number of OGVs which had participated in the scheme so far.

38. The **Deputy Director of Environmental Protection** advised that as of December 2012, only 682 of the about 5 800 OGV arrivals between September and December 2012 (12%) had applied for the incentive scheme.

39. To increase the participation rate of the incentive scheme, the Committee asked whether consideration would be given to waiving all or more than half of the port facilities and light dues so as to encourage more OGVs to switch to using diesel with a sulphur limit of 0.5% when berthing in Hong Kong waters.

40. The **Deputy Director of Environmental Protection** replied that:

- when setting the level of subsidy at 50% of the port facilities and light dues, due consideration had been given to the "polluter pays" principle, the prudent use of public fund, the expectation of the ship operators and overseas practices. Indeed, the level of subsidy of the incentive scheme was comparable to and even better than some of the ports that had similar incentive schemes in place. For example, Singapore had implemented a similar incentive scheme where ships switching to the use of cleaner fuels upon entering the waters of Singapore (not just during berthing) enjoyed only a 15% reduction in port dues; and
- as the incentive scheme had just been introduced for three months, the EPD and the MD would keep monitoring the responses of the trade and the development of the international practices in considering any further measures on this front.

41. In response to the enquiry as to whether the Government would make it mandatory for OGVs to switch to using diesel with a sulphur limit of 0.5% when berthing in Hong Kong waters as opposed to a sulphur limit of 3.5% stipulated in IMO 2010 Standards to further reduce emission, the **Director of Environmental Protection** said that:



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- the EPD was now actively exploring with the Guangdong authorities on the feasibility of requiring OGVs to switch to using diesel with a sulphur limit of 0.5% while berthing at ports of Hong Kong and PRD region; and
- in the meantime, the MD would step up efforts in communicating with the shipping industry to encourage more OGVs to join the incentive scheme when berthing in Hong Kong waters.

42. The **Secretary for Transport and Housing** supplemented that two points needed to be taken into account when considering the proposal of requiring OGVs to switch to using diesel with a sulphur limit of 0.5% when berthing in Hong Kong waters. First, the impact of the proposal on Hong Kong's port competitiveness, as neighbouring ports, including PRD ports, presently did not impose such a requirement on OGVs. Second, as Hong Kong and the PRD region shared the same air shed, for Hong Kong to implement the proposal on its own would not help significantly improve the ambient air quality of Hong Kong.

43. On the suggestion of exploring the feasibility of requiring OGVs to consume only electricity from shore after docking in Hong Kong waters, the **Deputy Director of Environmental Protection** replied that the Government encouraged the use of onshore power by vessels for reducing emissions. In the design of the Kai Tak Cruise Terminal, provisions for the use of onshore power supply ("OPS") had already been made. With the harmonized international standard for OPS released jointly by the International Organisation for Standardisation, the Institute of Electrical and Electronics Engineers and the International Electrotechnical Commission in July 2012, it was envisaged that more ship liners would equip their cruises with onboard facilities to facilitate the use of OPS. The EPD would closely monitor the development and liaise with the Tourism Commission on practices adopted overseas.

44. According to paragraph 3.21 of the Audit Report, as of December 2010, there were 791 Government vessels and their emissions accounted for 8% of NO<sub>x</sub> and 6% of PM<sub>10</sub> emissions from local vessels. Since 2011, all new Government vessels with engine power output greater than 130 kilo-Watt have been required to meet the IMO Tier II standards. In April 2012, the EPD informed the LegCo EA Panel that it intended to conduct a trial scheme to replace the engines of some Government vessels with a view to reducing their emissions, particularly NO<sub>x</sub> emissions. As of August 2012, of the 116 Government vessels installed with

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engines with power output greater than 130 kilo-Watt, 56 (48%) had been replaced with engines meeting the IMO Tier I standards. The MD informed Audit in August 2012 that most of the engines of the remaining 60 (116 less 56) Government vessels were more than 12 years old and it might be more cost-effective to replace them when they reached the end of their useful lives (i.e. 15 or 20 years depending on vessel types). The Committee asked whether consideration would be given to expediting the replacement of the engines of these remaining 60 Government vessels with more environmental-friendly ones to reduce their emissions.

45. The **Director of Marine** replied that should the Government decide to accelerate the replacement of the engines of these remaining 60 Government vessels with more environmental-friendly ones, the MD would render its utmost support for the replacement.

46. On the question why the Government had never launched any one-off grant scheme to encourage owners of high polluting vessels to replace their vessels with new ones which met the prevailing emission standard, the **Assistant Director of Environmental Protection** replied that:

- amongst various measures to reduce marine emissions, the use of cleaner fuel was the most cost-effective and sustainable control measures. Vessel replacement would be very costly and could not help reduce the emissions of SO<sub>2</sub> and PM<sub>10</sub> significantly without the use of clean fuel. It was also a common international practice to require the upgrading of fuel quality for reducing the emissions from marine sector. The IMO had also been advocating for this environmental-friendly means; and
- in controlling marine emissions, OGVs were the primary target as they contributed to nearly 80% of PM<sub>10</sub> and SO<sub>2</sub> emissions from the marine sector in Hong Kong. As OGVs were operating internationally, it would not be cost-effective to incentivize early replacement of OGVs because such OGVs might only make a few calls to Hong Kong per year. Incentivizing the replacement of OGVs would not bring substantial air quality improvement to Hong Kong.

Dark-smoke control of vessels

47. The Committee noted that since 2005, the MD had adopted the Ringelmann Chart as a reference in conducting annual ship surveys and during visual surveys for dark smoke control. The Ringelmann Chart is a device with four shades of gray of different intensity (Shade 1 being the lightest and Shade 4 the darkest). The Committee asked how visual surveys of vessels were conducted by the MD.

48. **Mr Tony CHAN Cheuk-sang, General Manager (Operations), MD,** explained that:

- MD officers in patrol launches took random visual surveys of different types and sizes of vessels in the waters of Hong Kong. The surveys could be made whilst the vessel was stationary or while it was moving. The MD patrol launches would follow the vessels being surveyed, and observe the emission by comparing the level of darkness of the smoke emitted against the Ringelmann Chart and time the duration of the emission; and
- MD officers would issue an advisory letter if a vessel was found emitting dark smoke of an intensity of Shade 1 of the Ringelmann Chart for three minutes or more, or of Shade 2 for less than three minutes. A warning letter would be issued if the related dark smoke was found of an intensity of Shade 2 lasting for three minutes or more. Prosecution action would be taken when there was sufficient evidence to prove the cause of the nuisance.

49. According to Table 7 in paragraph 3.29 of the Audit Report, during the MD's dark-smoke visual surveys of vessels in recent years, the number of vessels surveyed had increased from 706 in 2009 to 1 442 (up to August in 2012) and the percentages of vessels surveyed found with visible emission had decreased from 40.8% in 2007 to 1.2% (up to August in 2012). The Committee enquired the reasons for the upsurge in the number of vessels surveyed for dark-smoke emissions and for the drastic reduction in the number of vessels found emitting dark smoke in recent years.

50. The **General Manager (Operations), MD,** explained that the number of surveys carried out in a particular year would depend on the resources available and operational needs. As regards the drastic reduction in the number of vessels found

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emitting dark smoke, the MD believed that it was the result of the MD's continued efforts to deter dark smoke emission through, notably, enforcing the Ringelmann Chart Shade 2 standard as a reference in the annual ship surveys since 2005. If a vessel emitted smoke darker than Shade 2 of the Ringelmann Chart for more than three minutes, the MD would not issue the relevant certificate of survey which was required for applying for or renewing a vessel licence. Other relevant factors might include higher engine standards on new builds and the use of cleaner fuel over the years.

51. Referring to paragraph 3.30 of the Audit Report, the Committee noted that of the 5 360 vessels surveyed in 2010 and 2011, the MD only had one successful prosecution case against the master of the vessel found emitting dark smoke. The Committee asked about the reason for such a low success rate.

52. The **General Manager (Operations), MD**, pointed out that under the Shipping and Port Control Ordinance (Cap. 313) and the Merchant Shipping (Local Vessels) Ordinance (Cap. 548), the specified person, e.g. the owner and master/coxswain of a vessel, would only be subject to prosecution if the vessel emitted smoke in such a quantity as to be a nuisance. However, it was difficult to gather sufficient evidence to show that the dark-smoke emission was in such quantity as to be a nuisance for taking prosecution action. In this connection, the MD had proposed to the THB to introduce legislative amendments to these two Ordinances to give effect to adopting the Ringelmann Chart as a reference to measure dark-smoke emissions from vessels, as practised in overseas countries such as the United Kingdom ("UK").

53. The Committee noted from paragraph 3.32 of the Audit Report that in October 2009, the THB said that it needed more time to consider details of introducing proposed legislative amendments for adopting the Ringelmann Chart as an objective standard for gauging smoke emission from vessels. The Committee asked why the THB needed such a long time on this issue.

54. The **Secretary and Transport for Housing** explained that:

- in April 2008, the MD consulted the local vessel trade on the introduction of an offence for dark smoke emissions by vessels which would appear to be as dark as or darker than Shade 1 of the Ringelmann Chart. Shade 1 was also the standard adopted in the Air Pollution

Control (Smoke) Regulations (Cap. 311C) to determine whether it was "dark smoke" as defined under the Regulations. The trade raised objection to the proposal, arguing that different standards should be used for vessels due to the different engine specifications and operations involved. As there was no consensus, the legislative proposal was not taken forward then. Meanwhile, the MD had continued to deter dark smoke emission through enforcing the Ringelmann Chart Shade 2 standard in the annual ship survey;

- having considered the industry's views and overseas experience (ports in the UK and the United States ("US") had adopted Shade 2 of the Ringelmann Chart as the benchmark for determining excessive dark smoke emission), the THB and the MD had drawn up a revised proposal for consultation with the trade shortly. Subject to the feedback of the industry, the THB aimed to consult the LegCo Panel on Economic Development on the legislative proposals by June 2013; and
- subject to enactment of the legislative amendments, the MD would review whether to re-launch the Smoky Vessels Spotter Programme under which spotters were trained to assist in detecting dark-smoke emissions from vessels in Hong Kong waters.

55. On the question of whether consideration would be given to raising the penalty under the Shipping and Port Control Ordinance and the Merchant Shipping (Local Vessels) Ordinance for emitting dark smoke to increase deterrence, the **Secretary and Transport for Housing** replied that the THB and the MD would review the need for adjusting the penalty level when drawing up the legislative proposals.

#### **D. Emission control of power plants**

56. According to paragraph 11 of the Executive Summary of the Audit Report, emissions from local power plants accounted for 50% of SO<sub>2</sub>, 25% of NO<sub>x</sub> and 16% of PM<sub>10</sub> of the total emissions in Hong Kong in 2010. Two electricity companies are operating a total of four power plants which together supply 77% of electricity for local consumption. In 2011, these four power plants used coal or natural gas as fuel, with coal accounting for 71% of local electricity generation and natural gas 29%. Table 9 in paragraph 4.4 of the Audit Report further shows that for electricity generated locally in 2011, emissions of SO<sub>2</sub>, NO<sub>x</sub> and PM<sub>10</sub> by using natural gas were far lower than those by using coal. As it transpires, emissions of SO<sub>2</sub>, NO<sub>x</sub>

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and PM<sub>10</sub> per unit of electricity generated by using natural gas were 98%, 75% and 82% respectively less than those generated by using coal.

57. The Committee noted that the annual NO<sub>x</sub> emission allowance of 25 950 tonnes for power plants stipulated in the Third Technical Memorandum for Allocation of Emission Allowances in Respect of Specified Licences ("Third Technical Memorandum") (to be effective from 2017) still exceeded the annual NO<sub>x</sub> emission allowance of 17 375 tonnes for power plants recommended by the consultant commissioned by the EPD in 2007 to review the AQOs in Hong Kong by 49%. The Committee was concerned that this might affect the achievement of a new and more stringent set of AQOs aimed for adoption by the Government in 2014.

58. The **Assistant Director of Environmental Protection** explained that:

- the EPD consultant proposal was based on desk-top research without the benefit of investigation of the design and site conditions of existing power plants;
- due to space constraints, it was not feasible for the power plants to retrofit their electricity-generation units with emission-reduction devices for further emission reductions; and
- the EPD would continue requiring the power plants to use best practicable measures to reduce their NO<sub>x</sub> emission.

59. The **Secretary for the Environment** supplemented that as the major sources of air pollution in Hong Kong were motor vehicles, marine vessels and power plants, the ENB and the EPD would tackle these sources through the implementation of a package of 22 air-quality improvement measures as set out in Appendix B to the Audit Report. He assured the Committee that the ENB and the EPD would not drag their feet in taking forward any emission-reduction measures for power plants, motor vehicles and marine vessels to achieve the new 2014 AQOs by 2020.

60. The **Secretary for the Environment** further said that although the use of gas for local electricity generation would need to be raised to 50% by 2017 in order to meet the emission allowances stipulated in the Third Technical Memorandum, the ENB and the EPD would embark on a review of the fuel mix for local electricity

generation in 2013 with a view to substantially reducing its pollutant emissions. In the mid-term review of the Scheme of Control Agreements entered with the two power companies to be conducted next year, discussions would be held with the two power companies on ways to further reduce emissions from their power plants.

61. The Committee enquired whether consideration would be given to requiring the two power companies to use low emission coal for local electricity generation, so as to reduce emission pollutants from the coal-fired generation units in the power plants.

62. **Mr PANG Sik-wing, the Principal Environmental Protection Officer (Air Policy), EPD,** replied that:

- in controlling emissions from coal-fired generation units, overseas advanced countries, such as the European Union ("EU") countries and the US, had specified the emission concentration limits and/or quantities but not the restriction on the types of coal to be used. To ensure lowest possible emissions, the EPD had also imposed the maximum sulphur and ash contents of the coal used by the four local power plants at 1% and 16% to 19% by weight respectively, which were in line with the international standards for emissions from coal-fired generation;
- as Hong Kong did not have indigenous coal supply, the power companies had to procure coal from diversified sources, such as from Indonesia, Australian and Russia, to ensure stable and reliable electricity generation; and
- low emission coal had already been extensively used for local electricity generation. In order to meet the tightened emission caps specified in the Third Technical Memorandum, it would be necessary for the local power plants to increase the percentage of low emission coal to 45% by 2017.

63. The Committee was concerned that the emission allowances of the Third Technical Memorandum, which was enacted in 2012, would not be effective enough in lowering the NO<sub>x</sub> emission allowance for local power plants when it came into effect in 2017.

64. The **Assistant Director of Environmental Protection** pointed out that to enable timely revision of the emission allowances, they would be reviewed no less than once every two years. The EPD would continue to review and tighten the emission caps in light of fuel mix in future and advancement in emission control technology.

65. The Committee enquired whether, to better control emission reduction, consideration would be given to increasing the electricity supply in Hong Kong by nuclear power plant.

66. **Ms Christine LOH Kung-wai**, the **Under Secretary for the Environment**, replied that in working out a proposal of the future fuel mix for Hong Kong, the ENB and the EPD would continue to consult different stakeholders and would strive to strike a balance amongst the considerations of safety, reliability, environmental protection and affordability.

#### **E. Emissions control of non-road mobile machinery**

67. Mobile machines, transportable industrial equipment and non-road vehicles are commonly referred to as non-road mobile machinery ("NRMM"). They are widely used in construction sites (e.g. excavators), the airport (e.g. catering trucks) and container terminals (e.g. loaders). According to paragraph 5.2 of the Audit Report, emissions from NRMM accounted for 6% of NO<sub>x</sub> and 8% of PM<sub>10</sub> of the total emissions in Hong Kong in 2010. As stated in paragraph 5.3 of the Audit Report, as of February 2012:

- there were 13 500 NRMM units operating in Hong Kong (comprising 11 300 units at construction sites, 1 600 units at the airport and 600 units at container terminals);
- the estimated average age of the NRMM was eight years old;
- the estimated average service life of the NRMM was 14 years; and
- if all the units of existing NRMM were replaced by those meeting emission standards of the EU, the US and Japan, 4% and 5% of the local emissions of NO<sub>x</sub> and PM<sub>10</sub> could be reduced respectively.



68. The Committee noted that the EPD planned to introduce emission control over all NRMM units (either new or second-hand) to be sold, leased or supplied for local use. These units would have to meet specified emission standards (broadly in line with those of the EU, the US and Japan) and be approved by the EPD. The EPD aimed to complete the related legislative procedures in the 2012-2013 legislative session, and it would review the situation after implementation of the control system, and decide on the need for further control over existing NRMM at a later stage. The Committee asked why the proposed new emission control requirement would not cover existing NRMM units at the outset.

69. The **Deputy Director of Environmental Protection** explained that:

- it was not a common practice in overseas countries to control the emissions of in-use NRMM. Although the State of California of the US had implemented an emission-control system for existing NRMM units as referred to in paragraph 5.8 of the Audit Report, such a practice was not adopted by other States in the US. In fact, it was the common practices of other advanced countries/economies, such as the EU countries, not to impose new control requirements on existing NRMM units;
- due regard must be given to the impacts of introducing the new emission control requirements on existing NRMM units on owners of these units and on public works and other construction projects. For instance, many of the existing NRMM units still had an average remaining serviceable life of six years and some of them were costly. There was also the concern about the availability and procurement time of the NRMM units which could meet the new emission standards;
- the EPD considered it more prudent, as a start, to impose the new requirement on new NRMM first. The EPD would build up a database of existing NRMM with a detailed profile, after which the EPD would map out the next step. Whether any further measure should be introduced to control emissions from existing NRMM units would be studied at a later stage, taking account of data collected, stakeholders' views, overseas experience, viability and potential benefits; and
- in the meantime, the EPD would continue to keep up efforts to ensure the operation of existing NRMM units complying with the existing requirements under the Air Pollution Control Ordinance (Cap. 311),

i.e. these units must not cause air nuisances and emit dark smoke over the restriction limits, and must use ULSD.

70. The Committee considered that the Government should take the lead to use only NRMM which met specified environmental standards in its works projects. The Committee enquired about the strategies that would be adopted by the Development Bureau ("DEVB") to progressively stipulate the use of all types of NRMM units meeting specified environmental standards in public works contracts; and in the interim, whether consideration would be given to awarding extra merit points to the bidders in public works tenders if the bidders indicated in their bids to use certain types of NRMM units which met specified environmental standards although such NRMM units were not stipulated in the tender documents.

71. **Ms Grace LUI Kit-yuk, Permanent Secretary for Development (Works) (Acting)**, stated in the public hearing and the **Secretary for Development** affirmed in his letter dated 24 December 2012 (in *Appendix 16*) that:

- the DEVB would adopt a progressive approach to introduce the requirements of using NRMM units meeting specified environmental standards in public works contracts with due consideration to market availability, procurement time and cost of new NRMM units complying with the standards, remaining serviceable life of the existing NRMM units, effect on tender price of public works contracts and impacts to small and medium size contractors and owners of NRMM units not complying with the specified environmental standards for use or rental purpose. The DEVB would also consult relevant stakeholders, including contractor associations, NRMM trade and suppliers associations, to work out the implementation details, including the requirements to be stipulated in public works contracts; and
- the DEVB agreed to consider feasibility of the proposal of giving extra merit points to tenderers indicating the use of certain types of NRMM units meeting the specified environmental standards in public works contracts. The proposal would be raised with relevant stakeholders.

## **F. Regional emission control**

72. To tackle the regional air quality problem, the Hong Kong Special Administrative Region ("HKSAR") Government and the Guangdong Government issued a Joint Statement in April 2002 to reduce, on a best endeavour basis, the regional emissions of SO<sub>2</sub> by 40%, NO<sub>x</sub> by 20%, PM<sub>10</sub> by 55% and volatile organic compound ("VOC") by 55% by 2010, using 1997 as the baseline year. On 10 October 2012, Hong Kong announced the attainment of 2010 emission reduction targets. For Guangdong Province, the 2010 targets for SO<sub>2</sub>, NO<sub>x</sub> and PM<sub>10</sub> were met, but not that for VOC. In the 2009-2010 Policy Address, the former Administration announced the plan to work with Guangdong Province to formulate emission reduction proposals for 2010 onwards.

73. The Committee noted from paragraph 6.8 of the Audit Report that in August 2009, the HKSAR Government and the Guangdong Provincial Government signed the Environmental Co-operation Agreement. Under the Agreement, in order to improve the regional air quality further, a joint study group was set up in October 2009 to formulate post-2010 emission-reduction targets for the PRD region, and arrangements for implementation. In June 2012, the ENB informed the LegCo EA Panel that the two Governments were still discussing arrangements for the post-2010 emission-reduction targets. The Committee enquired about the progress in this regard.

74. The **Assistant Director of Environmental Protection** advised that the EPD had announced on 23 November 2012 the air pollutant emission reduction targets for Hong Kong and PRD region for 2015 and 2020 respectively, using 2010 as the baseline year. As regards the air quality improvement measures for Hong Kong up to 2020, apart from the 22 air quality improvement measures announced for achieving the new 2014 AQOs, which formed the basis for drawing up the emission reduction targets for 2015, the implementation of additional measures, such as increasing the use of clean fuel or changing fuel mix for power generation, as well as designating PRD waters as an Emission Control Area ("ECA") for vessels by 2020, could possibly bring further reduction. The relevant LegCo Brief is in *Appendix 17*.

75. On the progress in taking forward the setting up of an ECA in PRD waters, the **Under Secretary for the Environment** replied that the ENB and the EPD had recently commenced talks with the Guangdong EPD and other Mainland authorities concerned on such pursuit. Due to the complexity of the matter, more time was

needed for both sides to come up with concrete implementation plan. Response from the Mainland side was positive.

76. The **Deputy Director of Environmental Protection** supplemented that it was the consensus of the HKSAR Government and the Guangdong Province to pursue the setting up of an ECA in PRD waters and to require OGVs to switch to the use of diesel with a sulphur limit of 0.5% whilst berthing at ports of Hong Kong and the PRD region. However, as the difficulties involved in setting up an ECA in PRD waters were greater than those involved in requiring OGVs to switch to the use of cleaner fuel whilst berthing at ports of Hong Kong and the PRD region, priority would be accorded to implement the latter.

## **G. Conclusions and recommendations**

77. The Committee:

<b>Overall comments</b>
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- expresses serious dismay and finds it unacceptable that:
  - (a) the Administration had worked in a passive and fragmented manner to tackle the air pollution problem, as a result of which the health and well being of the public have been sacrificed; and
  - (b) despite the number of recommendations for improvement made by the Committee in its Report No. 29 of February 1998 and Report No. 44 of July 2005 to improve the air quality of Hong Kong in various areas, little progress has been made by the Administration to tackle the air pollution problem as evidenced by the following:
    - (i) the existing air quality objectives ("AQOs") have never been fully achieved since their adoption in 1987. The AQOs stipulate the concentration levels for seven major air pollutants, of which sulphur dioxide ("SO<sub>2</sub>"), nitrogen dioxide, and particulate matters with a diameter of 10 micrometres or less ("PM<sub>10</sub>") are the most relevant and significant ones in Hong Kong; and

*Implementation of air-quality improvement measures*

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- (ii) in 2010, power plants and marine vessels accounted for 50% and 48% of total SO<sub>2</sub> emissions respectively; power plants, motor vehicles and marine vessels accounted for 25%, 30% and 32% of the total nitrogen oxides ("NO<sub>x</sub>") emissions respectively; and power plants, motor vehicles and marine vessels accounted for 16%, 21% and 36% of the total PM<sub>10</sub> emissions respectively. All of these air pollutants have serious adverse health effects;
- welcomes the commitment made by the Secretary for Development, the Secretary for the Environment, and the Secretary for Transport and Housing that the Development Bureau ("DEVB"), the Environment Bureau ("ENB") and the Transport and Housing Bureau ("THB") will strengthen cross-bureaux and cross-departments co-operation and work closely with stakeholders in the formulation and implementation of air policies;
  - acknowledges the statement made by the Secretary for the Environment that the Government will proactively improve air quality and carefully consider public health when formulating clear air policy. According to a consultancy study commissioned by the Environmental Protection Department ("EPD") in 2007, upon attainment of the new 2014 AQOs, about 4 200 unnecessary hospital admissions and 7 400 statistical life years would be saved each year, or an improved average life expectancy of around one month for the entire population;
  - expects that the Administration will adopt a proactive attitude to address the serious adverse health effects of air pollution on members of the public by allocating more resources to tackle the air pollution problem, amongst others;
  - commends the detailed explanations given by the Deputy Director of Environmental Protection, the Assistant Director of Environmental Protection, and the Principal Environmental Protection Officer (Air Policy) on issues relating to air quality control, which had greatly helped the Committee to better understand the complex issues involved;

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<b>Specific comments</b>
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Emission control of vehicles

- expresses serious dismay and finds it unacceptable that:
  - (a) Hong Kong has a serious roadside pollution problem as illustrated by many roadside AQO measurements exceeding the AQO limits and many days with roadside air pollution index exceeding the very high level of 100, causing detrimental health effects on members of the public; and
  - (b) as of March 2012, 53 724 high-polluting pre-Euro, Euro I and Euro II diesel commercial vehicles were running on the streets, causing serious air pollution;

*Emissions from pre-Euro, Euro I and Euro II diesel vehicles*

- expresses grave dissatisfaction that the 2007 Grant Scheme to encourage owners of pre-Euro and Euro I diesel commercial vehicles to replace their vehicles with new ones complying with Euro IV emission standard and the 2010 Grant Scheme to encourage owners of Euro II diesel commercial vehicles to replace their vehicles by Euro IV or V ones have not been effective. As of March 2012, a total of 53 724 Euro II or below vehicles were running on the streets (i.e. 17 644 pre-Euro, 12 735 Euro I and 23 345 Euro II vehicles);
- expresses serious dismay and finds it unacceptable that:
  - (a) the EPD had not conducted any test or analysis to assess the estimated number of eligible vehicle owners who would take up the grant under the 2007 Grant Scheme, before seeking funding support of \$3,176 million for the Scheme from the Finance Committee ("FC") of the Legislative Council ("LegCo"). As a result, only 17 103 vehicles (29% of the 58 800 vehicles) were replaced and only \$772 million (24% of \$3,176 million) of the grant had been used. A total of \$2,404 million (76% of \$3,176 million) was left unspent for three years and the said money could have been deployed to other areas in need; and

*Implementation of air-quality improvement measures*

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- (b) the EPD had failed to listen to the views of members of the LegCo Panel on Environmental Affairs to make the incentive provided by the 2007 Grant Scheme more attractive, so as to achieve the desired effect of adopting a "carrot and stick" approach to accelerate the replacement of aged diesel commercial vehicles;
- notes that the ENB and the EPD will formulate better strategies for reducing the number of pre-Euro, Euro I and Euro II diesel commercial vehicles running on the streets by drawing lessons from the implementation of previous replacement grant schemes, amongst others;
- urges the ENB and the EPD that in adopting a "carrot and stick" approach for implementing such measures, a right balance between incentives and disincentives must be struck to ensure the effectiveness of these measures and prudent use of public money;
- acknowledges that in his 2013 Policy Address, the Chief Executive ("CE") has proposed:
  - (a) to set aside \$10 billion as subsidies to owners of over 80 000 heavily polluting pre-Euro and Euro I to III diesel commercial vehicles in order to phase out these vehicles progressively having regard to their pollution level; and
  - (b) to set a service life limit for newly registered diesel commercial vehicles at 15 years;
- expects that the Administration has learnt from the experience of the 2007 and 2010 Grant Schemes and will take into account the views of the transport trade in devising any new vehicle replacement scheme to reduce roadside emissions;

*Emissions from diesel light buses*

- expresses grave dissatisfaction that insufficient suitably located liquefied-petroleum gas ("LPG") refilling stations have been put in place to facilitate the replacement of diesel public light buses by LPG ones, as a result of which 34% of the 4 350 public light buses were still fuelled by diesel. According to the EPD, the replacement of diesel public light buses by LPG ones contributed to an estimated reduction of 1.6% of roadside NO<sub>x</sub> and 3.2% of roadside PM<sub>10</sub> emissions;

*Implementation of air-quality improvement measures*

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- urges the EPD to come up with effective measures expeditiously to accelerate the replacement of diesel public light buses by LPG ones, including identifying more potential sites for setting up petrol-cum-LPG filling stations;

*Emissions from LPG taxis and light buses*

- expresses grave dissatisfaction that high emissions from LPG taxis and light buses with worn-out emission-reduction devices have caused serious roadside air pollution;
- notes that the EPD will expedite measures to prevent excessive emissions from LPG vehicles after implementation of the emission-reduction-device replacement scheme;

*Emissions from Euro II Government diesel vehicles*

- expresses grave dissatisfaction that the number of Euro II Government diesel vehicles will only be reduced from 221 in June 2012 to 129 by March 2013, of which 122 will be phased out in 2013-2014 and the remaining seven in 2014-2015;
- urges the Government to take the lead in using environmental-friendly vehicles by replacing those high-polluting Government vehicles by new ones earlier;

*Emissions from franchised buses*

- expresses grave dissatisfaction that the implementation of the air quality improvement measure on franchised-bus-route rationalization has been slow;
- notes that the Transport Department ("TD") has undertaken to:
  - (a) apart from continuing to pursue bus service rationalization, continue to explore other measures, such as identifying more suitable sites and facilities for implementation of bus-bus and bus-rail interchange schemes; and
  - (b) in collaboration with the EPD, step up efforts in reducing franchised bus trips and formulate a better strategy for reducing franchised buses with more focus/emphasis on the environmental



*Implementation of air-quality improvement measures*

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benefits to society in consultation with franchised bus companies and related District Councils;

- acknowledges that in his 2013 Policy Address, the CE has undertaken to explore ways to rationalize bus routing, enhance feeder service and improve interchange arrangements in order to reduce roadside pollution;

Emission control of marine vessels

- finds it appalling and inexcusable that:
  - (a) SO<sub>2</sub>, NO<sub>x</sub> and PM<sub>10</sub> emissions from vessels have substantially increased and become a significant source of air pollution in Hong Kong; and
  - (b) despite the fact that the Marine Department ("MD") informed the THB on five occasions on the need to introduce legislative amendments for adopting the more stringent International Maritime Organisation ("IMO") 2010 Standards, the THB has not sought legislative support for adopting these Standards. As a result, there is no statutory basis for the MD to refrain ocean-going vessels ("OGVs") from using high sulphur-content fuel and engines with high NO<sub>x</sub> emissions in Hong Kong waters;
- notes that the THB aims to consult the LegCo Panel on Economic Development by June 2013 on the proposed legislative amendments;
- recognizes there are complications and difficulties in requiring OGVs to switch to using diesel with a sulphur limit of 0.5% when berthing in Hong Kong waters at this stage, as to do so will undermine Hong Kong's port competitiveness given that neighbouring ports, including Pearl River Delta ("PRD") ports, have not yet imposed such a requirement on OGVs berthing in their ports and the ambient air quality of Hong Kong will not be significantly improved given that Hong Kong and the PRD region share the same air shed. Notwithstanding this, the Committee considers that it is necessary for Hong Kong to require OGVs to switch to using diesel with a sulphur limit of 0.5% when berthing in Hong Kong waters;

*Implementation of air-quality improvement measures*

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- urges the ENB and the EPD to:
  - (a) come up with an agreement with the Environmental Protection Department of the Guangdong Provincial Government ("Guangdong EPD") expeditiously on requiring OGVs to switch to using diesel with a sulphur limit of 0.5% whilst berthing at ports of Hong Kong and the PRD region; and
  - (b) in the interim, formulate proactively better strategies to encourage OGVs to switch to using diesel with a sulphur limit of 0.5% when berthing in Hong Kong waters by, say, increasing the level of subsidy under the incentive scheme referred to in paragraph 37 above and providing more facilities to enable the use of onshore power supply by OGVs;
- acknowledges that in his 2013 Policy Address, the CE plans:
  - (a) to submit to the Council in the next legislative session the legislative proposal to enforce OGVs at berth within Hong Kong waters to switch to low-sulphur diesel, following the completion of consultation with the maritime sector; and
  - (b) to seek funding from the FC of LegCo to install onshore power supply facilities at the Kai Tak Cruise Terminal for use by cruise vessels;
- notes the concern of the local marine trade about the impacts of the use of ultra-low-sulphur diesel ("ULSD") on the operation and safety of local vessels;
- urges the ENB and the EPD to set expeditiously a new sulphur limit lower than the existing 0.5% for local as well as river-trade vessels by making reference to fuel sulphur limits set in the Mainland and overseas countries;

*Dark-smoke control of vessels*

- expresses serious concern that the THB has not introduced legislative amendments for adopting the Ringelmann Chart for measuring dark-smoke emissions from vessels, thereby affecting the enforcement action in this area;

*Implementation of air-quality improvement measures*

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- notes that the THB aims to consult the LegCo Panel on Economic Development the legislative proposal for adopting the Ringelmann Chart for measuring dark-smoke emissions from vessels by June 2013;

Emission control of power plants

- expresses serious concern that:
  - (a) SO<sub>2</sub>, NO<sub>x</sub> and PM<sub>10</sub> emissions from power plants account for a significant proportion of air pollutants in Hong Kong;
  - (b) the use of coal accounts for 71% of local electricity generation, notwithstanding that the use of coal for electricity generation emits far more pollutants than using natural gas;
  - (c) the NO<sub>x</sub> emission allowances set for local power plants in the coming years are not low enough for achieving the 2014 AQOs; and
  - (d) no emission allowances for particulate matters with a diameter of 2.5 micrometres or less ("PM<sub>2.5</sub>") have been set for local power plants, notwithstanding that they are more harmful to health than PM<sub>10</sub>;
- notes that:
  - (a) the ENB and the EPD will review the long-term fuel mix for local electricity generation, taking account of the high emission of air pollutants by using coal vis-à-vis natural gas;
  - (b) the Secretary for the Environment has undertaken to discuss with the two power companies in 2013 on implementing measures to further reduce emissions from power plants for local electricity generation in its mid-term review of the Scheme of Control Agreements entered with the two power companies; and
  - (c) the ENB and the EPD will consider setting emission allowances for PM<sub>2.5</sub> for local power plants, taking account of good practices abroad;

*Implementation of air-quality improvement measures*

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- urges the ENB and the EPD to require the two power companies to use more low emission coal as far as practicable, so as to further reduce emission pollutants from power plants;

Emission control of non-road mobile machinery

- expresses concern that:
  - (a) there has been negligible statutory air-pollution-emission control over non-road mobile machinery ("NRMM"), although it emits substantial pollutants;
  - (b) emissions from existing NRMM units will not be controlled under the proposed NRMM emission-control system; and
  - (c) the Government has not imposed any emission-control requirements on NRMM units used in public works projects;
- notes that the EPD has planned to complete in the 2012-2013 legislative session the necessary legislative procedures for implementing the proposed NRMM emission-control system on all new NRMM units;
- urges the EPD to come up with measures expeditiously to better regulate emissions from in-use NRMM;
- acknowledges that the DEVB:
  - (a) will adopt a progressive approach to introduce the requirements of using NRMM units meeting specified environmental standards in public works contracts; and
  - (b) will consider the feasibility of giving extra merit points to tenderers indicating the use of certain types of NRMM units meeting the specified environmental standards in public works contracts;

Regional emission control

- urges the ENB and the EPD to:
  - (a) come up with the arrangements for implementing the air-quality improvement measures expeditiously so as to meet the

*Implementation of air-quality improvement measures*

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emission-reduction targets in 2015 and 2020 reached with the Guangdong EPD; and

- (b) pursue with the Guangdong EPD and other authorities concerned proactively on:
  - (i) requiring OGVs to switch to using diesel with a sulphur limit of 0.5% whilst berthing at ports of Hong Kong and the PRD region; and
  - (ii) setting up an emission control area in PRD waters;

<b>Way forward</b>
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- urges the ENB and the EPD, in close collaboration with the relevant bureaux/departments, to take on board the recommendations of Audit and the Committee for implementing measures to improve the air quality of Hong Kong, so as to safeguard the health of members of the public; and

<b>Follow-up action</b>
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- wishes to be kept informed of progress made in implementing the various recommendations of Audit and the Committee and the improvement in air quality after the Government's implementation of the 22 air-quality improvement measures.

## **A. Introduction**

The Audit Commission ("Audit") conducted a review of the Department of Health ("DH")'s regulatory control of private hospitals with focus on the following areas:

- inspection of private hospitals;
- monitoring of sentinel events and complaints;
- price transparency in hospital charges; and
- performance measurement and reporting.

2. **Hon Abraham SHEK Lai-him** declared that he was currently a member of the Court and Council of the University of Hong Kong, and an Independent Non-executive Director ("INED") of Hsin Chong Construction Group Ltd. and NWS Holdings Limited (Hip Hing Construction Co., Ltd. is a subsidiary of NWS Holdings Limited). **Hon Abraham SHEK Lai-him** said that being an INED of Hsin Chong Construction Group Ltd. and NWS Holdings Limited, he was not informed of the April 2012 tendering exercise for private hospital development at two government sites. **Hon Abraham SHEK Lai-him** also said that being a member of the Council of the University of Hong Kong, he was aware that the University of Hong Kong might involve in the April 2012 tendering exercise for private hospital development at two government sites.

3. **Hon Paul TSE Wai-chun** declared that he was currently a member of the Court of the University of Hong Kong. **Hon Paul TSE Wai-chun** said that he was neither informed of nor involved in the April 2012 tendering exercise for private hospital development at two government sites.

4. **Dr KO Wing-man**, the **Secretary for Food and Health**, declared that before assuming the office of the Secretary for Food and Health on 1 July 2012, he had practiced in some of the private hospitals covered in the Audit Report as a registered medical practitioner.

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5. The **Secretary for Food and Health** said in his opening statement that:
- under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) ("the Ordinance"), private hospitals in Hong Kong were subject to the regulation of the DH on matters relating to accommodation, staffing and equipment;
  - in addition to the existing statutory regulatory control, the DH issued in 2003 a Code of Practice ("COP") setting out the standards of good practice regarding private hospitals' governance, quality management, patient care, risk management, clinical standards and so forth. Compliance with these requirements was a condition for the registration and re-registration of private hospitals;
  - the last major amendments made to the Ordinance took place in the 1960s. In the past few years, there had been substantial changes in the ecology of the healthcare market, and there were also considerable concerns in the community about the safety, quality and price transparency of private hospital services; and
  - the Government had, in October 2012, established a Steering Committee on Review of the Regulation of Private Healthcare Facilities ("Steering Committee") to conduct a review on the regulatory regime for private healthcare facilities including private hospitals.

The full text of the Secretary for Food and Health's opening statement is in *Appendix 18*.

6. The Committee noted from paragraphs 6.2 and 6.4 of the Director of Audit's Report ("the Audit Report") that the DH had completed in December 2000 a review of the legislation, including the Ordinance, regulating private hospitals and other healthcare institutions ("the 2000 Review"). Pursuant to the 2000 Review, the DH considered that there was a need to introduce major changes to the regulation of healthcare institutions in terms of scope and regulatory standards. Nonetheless, the review of the Ordinance was subsequently held in abeyance. Against this background and in view of the rapid development of private hospitals in recent years, the Committee questioned why the Government had not introduced any legislative amendments to the Ordinance in the past years.

7. The **Secretary for Food and Health** explained that:

- since the establishment of the Hospital Authority ("HA") in 1990, the Administration had focused on the reform of the public health care sector in respect to its quality, cost-effectiveness and efficiency;
- subsequent to the study on "Improving Hong Kong's health care system: why and for whom" by the Harvard team in 1999, the financial sustainability of Hong Kong's health care system was accorded a high priority in the government policies;
- the Asian financial crisis in 1997 and the outbreak of SARS in 2003 had hampered the utilization and hence development of medical and healthcare services provided by private hospitals. Taking into consideration the then business environment and financial burden of private hospitals, it would pose further challenges to both the then Administration and private hospitals if any regulatory control of private hospitals were to be tightened; and
- although the review of the Ordinance had been held in abeyance after the 2000 Review, the then Secretary for Health, Welfare and Food had directed that a COP be developed in 2003-2004, enabling the DH to keep a close monitoring on the registered healthcare institutions.

8. The **Secretary for Food and Health** further said that the Steering Committee would come up with more practical and specific guidelines when it finished the review of the regulatory regime for private healthcare facilities including the private hospitals within a year. He assured the Committee that the DH would take on board the recommendations of the Steering Committee to strengthen the regulatory control of private hospitals so as to provide greater assurance to those who preferred and could afford to use private healthcare services. A press release issued by the Government regarding appointments to the Working Group on Regulation of Private Hospitals on 18 December 2012 is in *Appendix 19*.

## **B. Inspection of private hospitals**

### Department of Health's inspection programme

9. The Committee noted from paragraph 2.3 of the Audit Report that the Office for Registration of Healthcare Institutions ("ORHI") of the DH was responsible for enforcing the Ordinance and the COP. The Committee asked how the ORHI of the DH carried out its function of regulating private hospitals.



10. **Dr Constance CHAN Hon-ye**, the **Director of Health**, said and elaborated in her letters of 21 and 28 November 2012 (in *Appendices 20 and 21*) that:

- to ensure that the requirements set out in the COP were met, registered healthcare institutions were subject to at least an annual and an ad hoc inspections by the inspection team of the ORHI during a year;
- the ORHI staff conducted inspections of private hospitals according to the "Protocol for Inspection of Private Hospitals, Nursing Homes and Maternity Homes under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) (March 2010)" ("the Protocol");
- prior to the annual inspections, private hospitals were required to submit a completed Report for Registration in the form of a questionnaire demonstrating their compliance with the requirements set out in the COP;
- the ORHI staff would study the completed Report for Registration of each hospital and devise an inspection plan to cover various service areas of the hospital;
- the ORHI inspection team would follow the inspection plan to conduct on-site inspection and exercise their professional judgment to determine whether the quality of services was up to the requirements of the COP; and
- in case there was any serious irregularity found during the inspection, a regulatory letter would be issued to the hospital concerned and the ORHI would also follow-up with the hospital concerned to ensure rectification of any irregularities detected.

11. According to paragraph 2.7 of the Audit Report, the ORHI had previously used an inspection checklist for the annual inspections conducted in 2009 and for the ad hoc inspections in 2010. The checklist showed the focus areas for inspection, the recommended practice, the wards/units inspected, and the extent of compliance. However, as stated in paragraph 2.8 of the Audit Report, such a checklist was not used for inspections conducted in 2011 and 2012. There were also no records readily available showing details of the private hospital's reports/records that had been inspected, or the procedures/practices examined in each service area or department visited. The Committee asked why the ORHI inspection team had not used the inspection checklist in 2011 and 2012.

12. The **Director of Health** explained and elaborated in her letter of 21 November 2012 (in Appendix 20) that:

- the COP constituted the basis of assessment of the suitability of a private hospital for registration under the Ordinance, and the inspection checklist only served as one of the tools for guiding the inspections. Compliance with the requirements set out in the COP was a condition for the registration and re-registration of private hospitals. As such, the ORHI inspection team considered that they should refer to the COP in conducting inspections since September 2010;
- also, inspection reports were prepared after the inspections for documenting the overall assessment and the DH's advice on areas that needed rectification and improvement; and
- upon Audit's recommendation, the ORHI had revisited the issue and had decided to use an inspection checklist again in the inspections conducted since September 2012.

13. According to paragraph 2.13 of the Audit Report, a scrutiny of the inspection reports of two selected hospitals revealed that some of their service areas had not been inspected by the ORHI inspection team for three years. Upon Audit's enquiry in September 2012, the DH confirmed that those service areas of the two selected hospitals had been covered in the inspections conducted in 2011 because they were covered in the inspection plans of 2011. The Committee was concerned whether, in the absence of appropriate records in the inspection reports, the DH could ensure that all service areas of private hospitals had been covered in its inspection programme.

14. **Dr Amy CHIU, the Assistant Director of Health (Health Administration and Planning)**, explained that:

- those service areas of the two selected hospitals referred to in paragraph 2.13 of the Audit Report had been inspected in 2011 but were omitted from the inspection reports due to an oversight; and
- the ORHI inspection team confirmed that they had conducted the inspections in strict accordance with the respective inspection plans, and those service areas were either in the vicinity of or shared the same facilities of other service areas which had been inspected.

15. At the request of the Committee, the **Director of Health** provided a copy of the inspection plans and a copy of the inspection reports of the two selected hospitals referred to in paragraph 2.13 of the Audit Report after the public hearing (in *Appendices 22 and 23*).

16. The Committee noted from paragraph 2.11 of the Audit Report that the ORHI normally documented the results of an inspection in an inspection report. Nonetheless, Audit found that results of the 32 of the 116 inspections conducted in 2011 for purposes including annual inspections, ad hoc inspections, follow-up inspections, and inspections for matters relating to registration had not been documented in any inspection reports. Of the 32 inspections not covered by any inspection reports, five had their key results documented in file minutes of the relevant subject folders. For the remaining 27 inspections, the DH only provided a variety of documents (extracting from different files and mainly in the form of notes of meetings) showing the work done by the ORHI but not the inspection reports. The Committee considered that there was room for improvement in the ORHI's system of documentation of the various types of inspections conducted on private hospitals. As a good management practice to facilitate monitoring of inspection work and future work planning, the DH needed to ensure that the ORHI properly documented each and every inspection conducted, preferably in the form of an inspection report.

17. The **Director of Health** responded that:

- of the 116 inspections conducted in 2011 for purposes including annual inspections, adhoc inspections, follow-up inspections, and inspections for matters relating to registration, an inspection report was prepared for each of the 40 annual inspections and 31 adhoc inspections, whilst an integrated report was compiled for all the 23 follow-up inspections which were related to an overall review of electricity supply and distribution systems at individual private hospitals;
- for the remaining 22 inspections for matters relating to registration, 13 inspections reports and nine minute sheets respectively were prepared; and
- to facilitate records management, she agreed that the DH should compile an inspection report after each inspection.

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18. Noting that some of the existing private hospitals were operating wholly or partly on sites granted by the Government through private treaties at nil or nominal premium and were subject to relevant land grant conditions, the Committee asked whether the DH's inspection programme had covered the private hospitals' compliance with relevant land grant conditions.

19. The **Director of Health** said that in response to Audit's recommendation, a checklist on compliance with land grant conditions had been introduced in September 2012. The relevant checklist is in *Appendix 24*.

Regulatory actions arising from inspections

20. As revealed in Table 2 in paragraph 2.19 of the Audit Report, the DH only issued eight advisory/warning letters from 2009 to 2011 in respect of various irregularities found during inspections. The Committee asked about the criteria under which an advisory or warning letter would be issued to private hospitals if irregularities were found during inspections.

21. The **Director of Health** replied and stated in her letter of 28 November 2012 (in Appendix 21) that:

- against findings from the 32, 33 and 40 annual inspections conducted from 2009 to 2011, the DH gave 85, 95 and 67 pieces of verbal advice to the private hospitals concerned;
- since 2010, all advice given during the inspections had been subsequently included in the respective written summary of the inspections to individual hospitals and discussed at the meetings with the hospital management;
- in 2011, six regulatory letters were issued to six private hospitals against findings from the 71 annual and adhoc inspections. A total of eight common irregularities were identified; and
- according to the Protocol, the ORHI would, in general, issue an advisory letter to the hospital concerned if one or more of the following irregularities were noted in the inspection:

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- (a) non-compliance with established policies and procedural guidelines;
  - (b) lack of guidelines/protocols on essential procedures that link to patient safety; and
  - (c) inadequacies that require prompt rectification/improvement; and
- a warning letter would be issued if the issues concerned accommodation, staffing or equipment.

22. The Committee noted from paragraph 2.21 of the Audit Report that all regulatory letters were issued by the DH under the same letterhead and there was no caption or subject title to indicate explicitly whether a letter was an advisory or warning letter. The Committee questioned how the DH could ascertain that the hospitals concerned would understand the seriousness of the issues and the consequence of failure to undertake prompt rectification.

23. The **Secretary for Food and Health** accepted Audit's observation that regulatory letters with appropriate caption or subject title would eliminate any chance of miscommunication and facilitate the DH's monitoring of any rectification to be taken by the hospitals concerned.

24. The **Director of Health** said that apart from the issuance of regulatory letters, the DH also followed up with the hospitals concerned and conducted adhoc/follow-up inspections to ensure timely rectification of the irregularities.

25. In response to the Committee's request, the **Director of Health** provided a copy of a regulatory letter (in *Appendix 25*) after the public hearing.

26. Audit reported in paragraph 2.22(a) to (d) that for some inspections in which serious irregularities were detected, the DH only gave verbal advice or attached a summary report of the inspections to the hospitals concerned for follow-up action without issuing an advisory/warning letter. The Committee questioned whether, in the absence of an advisory/warning letter, the hospitals concerned had failed to take the issues seriously and initiate timely rectification or improvement.

27. The **Director of Health** responded that:

- for the specialty centre referred to in paragraph 2.22(a) of the Audit Report, no advisory/warning letter was issued because the specialty centre had ceased operation immediately upon the ORHI's verbal advice;
- for the three cases referred to in paragraph 2.22(b) to (d) of the Audit Report, the ORHI had given verbal advice during the inspections and the advice had been subsequently included in the summary report of the inspections for follow-up actions by the hospital management; and
- she agreed with Audit's recommendation that irregularities found in the above four cases should warrant the issuance of a regulatory letter.

28. To ensure adequate care for the maternity patients and their newborns, the COP sets out special requirements on accommodation, staffing and equipment for a registered maternity home. A non-maternity ward generally does not meet such special requirements. The Committee referred to Case 1 in paragraph 2.27 of the Audit Report and noted that the hospital concerned had been found to have a regular practice of admitting maternity cases to non-maternity wards. Despite the DH's repeated advice or warnings given in its regulatory letters that admission of maternity cases should be restricted to the registered maternity home, the hospital concerned had taken over nine months to rectify the irregularities found. In view of the potential health risk posed to the maternity patients and their newborns, the Committee queried:

- why the DH had not taken immediate regulatory actions in relation to the admission of maternity cases to non-maternity wards by the hospital concerned; and
- why the DH had not imposed a timeframe for the hospital concerned to rectify the irregularities.

29. The **Director of Health** explained that:

- there were practical difficulties for the patients concerned to secure a maternity booking with other hospitals in a short period of time if the hospital was to cease admission of maternity cases to non-maternity wards promptly;

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- the hospital concerned had taken remedial measures in the interim, such as re-deployment of additional midwives to take care of the maternity patients in the non-maternity wards;
- the ORHI had included in the certificate of re-registration issued in December 2011 additional licensing condition, i.e. the hospital should restrict admission of maternity clients to the registered maternity home;
- the hospital concerned had subsequently applied for expansion of its maternity services from 25 to 35 maternity beds and had undertaken to recruit sufficient midwives meeting the specified staffing requirements as soon as possible; and
- after the follow-up inspection conducted in February 2012, the ORHI confirmed that the specified licensing condition had been complied with.

30. The **Secretary for Food and Health** said that:

- the DH was determined to deal with each case of irregularities effectively and step up its regulatory actions if patient safety was at stake;
- under the existing regulatory regime, the Director of Health was empowered to refuse registration or re-registration of a private hospital, if he/she was satisfied that, for reasons connected with accommodation, staffing or equipment, the hospital was not fit to be used for or in connection with a hospital of such description as the hospital named in the application for registration or re-registration, etc.;
- nonetheless, none of the past cases involving irregularities was in serious violation of the specified conditions that warranted refusal of registration or re-registration of any private hospitals; and
- there was a need to review the legislation so as to provide for various types of sanctions or penalties that could reflect the seriousness of the various irregularities, and the potential threat posed to the patient safety as well as public health.

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31. The Committee noted from paragraphs 2.20 and 2.26 of the Audit Report that the ORHI had not initiated any prosecution action and only issued six advisory/warning letters to six private hospitals in 2011 in respect of various irregularities found during the inspections. The Committee asked about:

- the manpower situation of the ORHI; and
- whether the DH had any plan to enhance the manpower support of the ORHI.

32. The **Director of Health** replied that:

- the ORHI was headed by a Principal Medical and Health Officer who also headed the Narcotics and Drug Administration Unit. Between 2005 and 2010, the ORHI had six professional staff supporting the Principal Medical and Health Officer. With effect from 2011, there were 11 professional staff in the ORHI; and
- depending on the recommendations of the Steering Committee and the outcome of subsequent public consultation(s), the DH would consider enhancing its staff strength in light of the operational demands arising therefrom.

Closure arrangements

33. Instead of developing guidelines to assist the private hospital in the closure arrangements, the Committee noted from paragraph 2.31 of the Audit Report that the DH instructed the Hong Kong Central Hospital concerned to submit a plan on its closure arrangements. The Committee asked:

- whether the DH found the hospital's plan on its closure arrangements satisfactory; and
- when the DH would issue guidelines on closure arrangements of private hospitals.



34. The **Director of Health** said that:

- as closure of a private hospital was unprecedented in Hong Kong, the DH had not issued any specific guidelines on closure arrangements of private hospitals. For the case in question, the DH received the hospital's plan on its closure arrangements, scrutinized the hospital's weekly submission of service data and conducted inspections at various stages to ensure its compliance with the Ordinance and the COP, particularly on staffing and equipment; and
- the DH gave advice to the hospital as to when to cease admission of in-patients, how to properly handle the patients' records and medical equipment and waste.

### **C. Monitoring of sentinel events and complaints**

#### Monitoring of sentinel events

35. The Committee noted from paragraph 3.3 of the Audit Report that the DH had set up a voluntary sentinel event reporting system since 1 February 2007 under which the DH promulgated a list of reportable sentinel events and set out the timeframes for private hospitals' reporting of the sentinel events and submission of investigation reports. According to paragraph 3.6 of the Audit Report, given the voluntary nature of the reporting system, there was a risk of under-reporting. In the interest of public health and patient safety, the Committee asked whether the DH had taken appropriate measures to prevent under-reporting of sentinel events.

36. The **Director of Health** replied that the DH issued instructions, guidance and feedback to private hospitals on the reporting of sentinel events from 2007 to 2011. She supplemented in her letter of 6 December 2012 (in *Appendix 26*) that:

- in 2009, the DH issued to individual hospitals an annual feedback on the sentinel events reported;
- in 2010, a review of selected sentinel events with points to learn from these events was distributed to all private hospitals;
- starting from 2011, the annual review had been revised and renamed as "Patient Safety Digest" in which selected sentinel events as well as complaints were included; and

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- the COP also stipulated that private hospitals were required to develop their own procedures on complaint handling and submit complaint digest to the DH regularly.

37. The **Secretary for Food and Health** stated that the DH would launch campaigns of publicity to enhance awareness of hospital staff, patients and the general public in the importance of timely reporting of sentinel events.

38. As revealed in paragraph 3.8(a) of the Audit Report, a few private hospitals had reported more sentinel events than the others. For example, in 2009, the number of sentinel events reported by two hospitals had accounted for 60% of the total 52 sentinel events reported by all private hospitals. The Committee asked what follow-up actions had been taken by the DH.

39. The **Director of Health** explained and stated in her letter of 28 November 2012 (in Appendix 21) that:

- upon receipt of the notification of a sentinel event, the DH would, in line with established guidelines, gather preliminary information from the hospital, and examine the nature and cause of the sentinel event;
- if serious irregularities were found in the management or healthcare services of the hospital, the DH would conduct on-site inspections to ensure timely rectification taken by the hospital;
- in the annual inspections, the DH would also pay particular attention to those service areas of the respective hospitals in which systemic irregularities had been identified in the preceding year;
- according to the DH's analysis, out of these 52 sentinel events reported in 2009, five cases were identified to be related to procedure compliance, 34 related to patient condition, nine related to complications of surgery and the remaining four cases with unknown reason; and
- in 2009, the DH had issued a regulatory letter each to two hospitals for irregularities found.

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40. The Committee noted from paragraph 3.9 of the Audit Report that 56% of the sentinel events in private hospitals from 2008 to 2011 were not reported to the DH within 24 hours of their occurrence. The longest time taken for reporting a sentinel event was 259 days (i.e. Case 2 referred to in this paragraph). The Committee asked why no regulatory action was taken by the DH against the hospital concerned.

41. The **Director of Health** explained that:

- as the sentinel event reporting system for private hospitals was only set up on 1 February 2007, frontline staff of the hospital concerned might need a longer time to determine whether Case 2, which occurred in December 2007, was a reportable sentinel event; and
- the DH had examined into Case 2 and identified the root cause of the case as "complications of surgery". As it transpired, "common birth trauma" and "common surgical complications" were excluded from the list of reportable sentinel events for private hospitals with effect from 2010.

42. According to paragraph 3.10 of the Audit Report, from 2008 to 2011, in 60 (61%) of the 98 reported cases of sentinel events, private hospitals did not submit the full investigation reports to the DH within four weeks of the occurrence of the events. In five cases relating to sentinel events that occurred in 2007, the hospitals concerned had not submitted any investigation reports to the DH. There was no evidence that the DH had taken any regulatory actions against the hospitals concerned. The Committee asked why the DH had not taken any regulatory actions against the hospitals concerned.

43. The **Director of Health** responded and elaborated in her letter of 6 December 2012 (in Appendix 26) that the DH had looked into the five cases and found that three of them were related to medical equipment and the remaining two related to complications at birth. The DH was of the view that none of these cases warranted the issuance of a regulatory letter.

44. The Committee was concerned that from 2008 to 2011, the DH had only issued three regulatory letters in respect of the 55 cases of delay in the reporting of sentinel events as stated in paragraph 3.11 of the Audit Report.

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45. The **Director of Health** responded and supplemented in her letter of 6 December 2012 (in Appendix 26) that:

- according to the "Protocol for Sentinel Event Reporting System (March 2010)", the DH would issue an advisory letter to the hospital concerned if one or more of the following irregularities were noted in the course of investigation of the sentinel events:
  - (a) non-compliance with established policies and procedural guidelines;
  - (b) repeated reporting of a similar event within a short period of time;
  - (c) lack of guidelines/protocols on essential procedures that linked to patient safety; and
  - (d) inadequacies that required prompt rectification/improvements.
- a warning letter would be issued if the issues concerned accommodation, staffing or equipment; and
- delays in the reporting of sentinel events had improved gradually. Since 2011, advisory letters had also been issued to private hospitals for any sentinel events not reported to the DH within 24 hours from its occurrence.

46. The Committee noted that in so far as the exercising of powers of the Director of Health under the Ordinance was concerned, section 6(1) of the Ordinance empowered the Director of Health to make regulation in respect of requirements on patients' records and notification to be given of any death occurring in private hospitals. In that regard, an offence might be created under section 6(2) of the Ordinance for the contravention of any regulation made by the Director of Health under section 6(1). By exercising of the power under section 6(1) of the Ordinance, the Director of Health could have made the notification of death of private hospitals' patients to the DH mandatory. The Committee asked whether the Director of Health had any plan to make regulations pursuant to section 6(1) and (2) of the Ordinance.

47. The **Director of Health** replied in her letter of 6 December 2012 (in Appendix 26) that:

- notwithstanding the fact that no regulation had been made pursuant to section 6(1) and (2) of the Ordinance, the COP was promulgated in 2003

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to set out the standards of good practices and quality of healthcare services. These standards included requirements on the management of staff, management of the premises and services, protection of the rights of patients and their right to know, the setting up of a system to deal with complaints as well as management of medical incidents, etc. Compliance with the requirements listed in the COP was required for the registration and re-registration of private hospitals under the Ordinance; and

- subject to the outcome of the ongoing review of the Ordinance, the DH would consider the most appropriate and effective legislative means to regulate private hospitals.

48. In view of the long time taken by private hospitals to report sentinel events or submit investigation reports, the Committee queried why the DH had not made the sentinel event reporting system a mandatory requirement for private hospitals.

49. The **Director of Health** explained that in designing the sentinel event reporting system, reference had been made to the World Health Organization's guidelines which advised that successful sentinel events reporting systems should be non-punitive and confidential, and lead to constructive responses. The critical success factors of a sentinel events reporting system lied in that the individuals or institutions who report the incidents were free from fear of retaliation against themselves or punishment of others as a result of reporting, and the identities of the patient, reporter, and institution were not disclosed to any third party.

50. Audit reported in paragraph 3.15 that in response to the Independent Commission Against Corruption ("ICAC")'s recommendation on referral of cases involving professional misconduct to the Medical Council of Hong Kong ("MCHK") or the Nursing Council of Hong Kong ("NCHK"), the DH considered that it was not in a position to directly refer cases to the MCHK or the NCHK as to do so might impinge on patient privacy. In this connection, the Committee asked:

- whether the DH still maintained its stance of not making referral of cases to the MCHK or relevant professional bodies for actions;
- whether the DH had taken any follow-up actions against cases of sentinel events involving professional misconduct; and

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- how the DH had dealt with patient privacy when referring cases to the MCHK or relevant professional bodies for actions.

51. The **Secretary for Food and Health** responded and the **Director of Health** stated in her letter of 6 December 2012 (in Appendix 26) that:

- as a prevailing practice, the DH would refer cases suspected of contravening the law or involving professional misconduct to the relevant authorities or statutory bodies for their consideration;
- in 2011, a case related to a treatment centre in a private hospital licensed under the Human Reproductive Technology Ordinance (Cap. 561) was referred to the Council on Human Reproductive Technology. From 2011 to 2012, two death cases related to private hospitals were referred to the Coroner. Apart from the above cases, the DH had also referred complaints against private hospitals to the Hong Kong Police Force, Office of the Privacy Commissioner for Personal Data and Buildings Department;
- other than sentinel events occurred at private hospitals, from January 2009 to November 2012, four cases handled by the DH involving suspected professional misconduct of a registered medical practitioner, a chiropractor and physiotherapists were referred to the respective statutory professional boards and councils; and
- to address the issue of patient privacy, the DH would seek the consent of the patient concerned before making any referral to the MCHK or NCHK, and explain to the patient concerned that he/she would be expected to appear before the MCHK or NCHK, and give first-hand information at the hearing concerning the case involving professional misconduct. If the patient concerned refused to disclose any information or appear before the MCHK or NCHK, the DH would have to seek legal advice on a case-by-case basis to determine how to take the case forward.

52. The Committee welcomed the Secretary for Food and Health's commitment to refer cases of sentinel events involving professional misconduct to the MCHK or relevant authorities or statutory bodies for consideration. To ascertain whether the private hospitals and healthcare professionals were aware of the stance of the DH on referral of cases involving professional misconduct to the relevant professional bodies,

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the Committee asked whether consideration would be given to issuing any circular or memorandum for communicating this change to the healthcare sector.

53. The **Secretary for Food and Health** responded that as there was no change to the established procedure, he did not see a need to issue any circular or information paper for the sole purpose of reiterating to private hospitals an established procedure for the referral of cases involving professional misconduct to the relevant professional bodies. Nonetheless, he would continue to communicate with private hospitals with a view to streamlining the referral mechanism.

54. As revealed in paragraph 3.17 of the Audit Report, from 2007 to 2011, the DH issued only three press releases relating to sentinel events in private hospitals, and uploaded an aggregated figure of sentinel events onto its website on a quarterly basis without disclosing the identities of the private hospitals concerned or details of the sentinel events. It appeared to the Committee that this practice did not foster effective public disclosure of sentinel events. The Committee enquired whether consideration would be given to disclosing the identities of the private hospitals concerned and details of the sentinel events without revealing the identities of the patients if the cases were substantiated after investigation.

55. The **Director of Health** indicated that as reported to the Panel on Health Services of the Legislative Council in May 2010, for sentinel events that had significant public health impact, posed ongoing public health risk and were preventable by immediate action, the DH would make public announcements upon receipt of the notification from private hospitals, whilst for unanticipated death cases of or unanticipated serious morbidity of any of the reportable sentinel events, the individual private hospitals would respond to the media concerning the sentinel events. From 2007 to 2011, the DH had issued three press releases on those sentinel events that fulfilled the specified criteria.

56. The Committee understood from paragraph 3.19 of the Audit Report that private hospitals were required to develop their own policies and mechanisms for handling sentinel events, including whether to disclose the events to the public. To facilitate a consistent approach to the handling of sentinel events amongst private hospitals, the Committee asked whether consideration would be given to setting out a uniform mechanism for all private hospitals to follow and the timetable for implementing such a uniform mechanism.

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57. The **Director of Health** explained and stated in her letter of 6 December 2012 (in Appendix 26) that:

- since February 2007, the DH had provided the list of reportable sentinel events for private hospitals; and
- since January 2010, the DH had revised the list of reportable sentinel events for private hospitals taking account of the list of reportable sentinel events for public hospitals.

58. The **Secretary for Food and Health** said that the DH would keep the matter in view and take into consideration the recommendations of the Steering Committee which would come up within a year.

59. With reference to paragraph 3.12 of the Audit Report, the ICAC stated in its assignment study of February 2010 that in enforcing the provisions of the Ordinance, the DH adopted a strategy of "partnership approach" towards private hospitals. To ascertain whether the approach adopted by the DH had led to its inadequate enforcement of the provisions of the Ordinance, the Committee asked:

- what the DH meant by adopting a strategy of "partnership approach" towards private hospitals; and
- whether the strategy of "partnership approach" had led to the DH's inadequate enforcement of the provisions of the Ordinance.

60. The **Director of Health** explained that by adopting a "partnership approach", the DH aimed to work together with private hospitals to enhance the quality of healthcare services and standards of patient safety, and the ultimate aim was to protect the interest of customers/patients of private hospitals. She assured the Committee that the DH would not help the private hospitals to conceal any serious irregularities.

61. The **Secretary for Food and Health** pointed out that the provision of quality healthcare services and assurance of patient safety were the primary concerns of the DH in carrying out its functions. As the regulatory authority, the DH had the responsibility to safeguard patient safety through inspection of private hospitals and monitoring of sentinel events. To address growing public concern over the rights and



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safety of patients, the DH should step up its regulatory measures in the monitoring of sentinel events.

62. The Committee also noted from the ICAC's assignment study that the DH had not refused any registration or re-registration of private hospitals, nor had it prosecuted any party under the Ordinance. One of the major shortfalls in the system under study was that the offences and sanctions provided under the Ordinance were grossly inadequate to deter attempts to breach the registration conditions. As such, the Committee asked whether the DH had imposed any sanctions, other than refusal of registration or re-registration, in cases of breach of the registration conditions.

63. The **Director of Health** replied that the DH had not found any breaches by private hospitals relating to registration conditions or sentinel events serious enough to warrant refusal of registration or re-registration, or prosecution action.

64. The **Secretary for Food and Health** agreed with the ICAC study that there was a need to make provisions for various degrees of sanctions to deter breaches of the registration conditions.

65. With reference to paragraph 3.18 of the Audit Report, the criteria for disclosing sentinel events and their details in private hospitals were different from those for public hospitals. The Committee enquired whether the DH had any plan to align the systems and practices for disclosing sentinel events in both private and public hospitals, and if so, the timetable for its implementation.

66. The **Secretary for Food and Health** explained that:

- the HA was responsible for the management of all public hospitals in Hong Kong whilst private hospitals were each managed by their respective Operators and, under the Ordinance, were subject to the regulation by the Director of Health. Given the difference in governance structures, there were bound to be differences in the ways they handled sentinel events;
- the Government aimed to improve and sustain service quality of both private and public hospitals through a system of hospital accreditation. According to the HA's experience, a sentinel events reporting system

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would have to undergo processes of implementation, reviews and improvements with enhanced publicity and staff training before it became mature. It was envisaged that private hospitals had to undergo similar processes for their sentinel events reporting systems to become mature; and

- in the interim, the DH would work closely with private hospitals with a view to providing timely and practical feedback for further development of the sentinel events reporting system in private hospitals.

67. The **Director of Health** said that the DH would screen the monthly complaint digests for any potential sentinel events unreported and cases that required further investigation and action.

Handling of complaints against private hospitals

68. As revealed in paragraph 3.30 of the Audit Report, five private hospitals had not always submitted the complaint digests monthly to the DH. The Committee asked whether the DH had taken any follow-up actions against these five hospitals.

69. The **Director of Health** responded that the DH had accepted Audit's recommendations and would remind all private hospitals to follow strictly the established guidelines and submit their complaint digests monthly. In the event of late submission, the DH would issue an advisory letter to the private hospital concerned.

70. Audit reported in paragraph 3.32 that, although the DH noted irregularities in the course of investigation of a number of complaint cases, it did not issue advisory/warning letters to the private hospitals concerned. As evidenced in Case 3 (referred to in the same paragraph), although the irregularities found concerned non-compliance with established procedural guidelines or inadequacies that required prompt rectification, the DH had not issued an advisory/warning letter to the hospital concerned. The Committee queried what follow-up actions had been taken by the DH.

71. The **Director of Health** explained that:

- in the handling of Case 3, the DH had given verbal advice to the hospital concerned after its investigation, and the advice had been subsequently included in the replies to the complainants and relevant records of the DH; and
- the DH would in future also include in the report of the inspections in respect of complaints the advice given to the hospitals concerned if the case was found substantiated after investigation.

#### **D. Price transparency in hospital charges**

72. According to the COP, patients have the right to know the fees and charges prior to consultation and any procedures in private hospitals. As revealed in paragraph 4.3 of the Audit Report, the DH checked the hospitals' compliance with the COP requirements and, from 2009 to June 2012, detected no non-compliant case regarding provision of charging information by private hospitals. The Committee however noted Audit's observation in paragraph 4.6 that 351 of the 2 063 complaints received by private hospitals from 2009 to June 2011 were related to charges. The Committee queried:

- whether the DH regarded unexpected price increase, unreasonable charges, and price information (including doctor fees) not communicated in advance to patients as compliant cases in accordance with the COP requirements; and
- whether the occurrence of such complaints had reflected that the COP was lack of detailed requirements on the extent of information to be provided and the means for communication of such information to patients.

73. The **Director of Health** replied and the **Secretary for Food and Health** said that:

- according to the COP, private hospitals were required to make available for reference by patients at the admission office, and wherever appropriate, a fee schedule listing the room charges, service charges for common diagnostic tests and treatment procedures, fees for medical supplies and medicines etc.;

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- the DH's investigation unveiled that in most of the complaint cases relating to charges, the doctor fees were only made known to patients after the consultation and sometimes complications happened in the course of the treatment resulted in unexpected fee increase arising from additional diagnostic tests or emergency services;
- for those cases in which emergency procedures had to be performed in the course of the treatment, the DH had reminded private hospitals to make known the charges in advance to the patients;
- private hospitals might not be able to communicate the doctor fees in advance to patients in circumstances where the services were not provided by the hospitals per se but by private medical practitioners with admission privileges;
- as far as elective surgeries were concerned, patients might be given various treatment options in relation to the types of medication, medical service or care, etc.; and
- in any cases, private hospitals should make every endeavour to communicate price information in advance to patients.

74. The Committee noted from Table 8 in paragraph 4.9 of the Audit Report that other than obstetric packages, the number of service packages offered by private hospitals varied significantly, ranging from one to over 80 packages. Also, packages offered by most hospitals often did not include doctor fees, thereby rendering difficulty for patients to make price comparison or informed choices about their healthcare. As mentioned in paragraph 4.13 of the Audit Report, Audit had identified some good practices adopted overseas and by the HA. For instances, in Singapore and the USA, details about the average length of stay, 50<sup>th</sup> percentile and 90<sup>th</sup> percentile bill size (including doctors' professional fees) according to different ward classes, the average and median charges for hospital services (except those for physician charges) for the most common procedures were published on the websites for easy access by the public. In view of the above, the Committee enquired whether consideration would be given to requesting private hospitals to adopt these good practices.

75. The **Secretary for Food and Health** explained that:

- as the provision of private hospital services in Hong Kong was governed by free market, the Government should refrain from regulating their price level;
- the Government would however make reference to overseas practices and experience when formulating its strategies for improving the quality and standards of private hospital services and enhancing their price transparency;
- to help patients anticipate their health costs and make informed choices, private hospitals had been encouraged to offer their services for various operations and procedures at packaged charges in recent years; and
- as far as overseas practices were concerned, not all of them were applicable to the local circumstances. For example, in some states of the United States, employers were required by law to offer their employees the Health Maintenance Organization ("HMO") options under which healthcare was rendered by those doctors and other professionals who had agreed by contract to treat patients in accordance with the HMO's guidelines and restrictions. Under such circumstances, healthcare price transparency could be achieved.

76. The Committee noted that the Government had, in April 2012, included in the tender documents for private hospital development at two government sites a set of special requirements requesting new private hospitals to publish comprehensive services price list and that at least 30% of the in-patient bed days taken up each year must be for services provided through standard beds at packaged charges. The Committee asked what measures would be taken by the DH to enhance the price transparency of existing private hospitals.

77. The **Secretary for Food and Health** said that:

- the Government had yet to observe whether the arrangements for the inclusion in the tender documents for private hospital development at two government sites a set of special requirements would be conducive to improving price transparency of private hospital services;

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- as more details of the healthcare price information were made available on the websites and readily accessible to the public, it was anticipated that more private medical practitioners would be encouraged to enter into agreement with private hospitals to offer their services at packaged charges; and
- to facilitate price comparison, the DH would encourage private hospitals to adopt standardized format and terminology for their fee schedules.

**E. Performance measurement and reporting**

78. As revealed in paragraphs 5.3 and 5.5 of the Audit Report, only two performance measures had been reported in the 2012-2013 Controlling Officer's Report which focused mainly on output. The Committee asked whether the DH would adopt other performance measures to measure the efficiency and effectiveness of its regulatory work on private hospitals.

79. The **Director of Health** stated in her letter of 6 December 2012 (in Appendix 26) that the DH would take into account Audit's recommendations and develop appropriate effective performance/outcome indicators in respect of its regulatory work on private hospitals (especially for providing the breakdown of inspections conducted for each type of healthcare institutions) during the review of the Ordinance which would be completed within a year.

**F. Conclusions and recommendations**

80. The Committee:

<b>Overall comments</b>
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- finds it unacceptable and inexcusable that:
  - (a) the existing regulatory regime under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) ("the Ordinance"), which was enacted in 1936 with major amendments last made in 1966, fails to meet the rising public expectation for a mechanism that could effectively monitor the performance of private hospitals and ensure the provision of quality medical and

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healthcare services in light of the rapid development of private hospitals in recent years;

- (b) despite the fact that the Department of Health ("DH") completed a review of legislation (including the Ordinance) regulating private hospitals and other healthcare institutions in December 2000 and considered that there was a need to introduce major changes to the regulation of healthcare institutions in terms of scope and regulatory standards, the review of the Ordinance was subsequently held in abeyance;
- (c) the Code of Practice ("COP") issued by the DH, which sets out standards of good practices regarding private hospitals' governance, quality management, patient care, risk management, clinical standards, etc. is in lack of any statutory backing, and non-compliance of which only results in the issuance of an advisory/warning letter without relevant prosecution or penalty; and
- (d) as the regulatory authority, the DH had failed to fulfill its duties in monitoring the operation of and services provided by private hospitals, particularly, it had failed to ensure effective enforcement of the Ordinance and private hospitals' compliance with the COP in that:
  - (i) there was a disparity in the mechanism for handling sentinel events, including whether to disclose the events to the public, between public and private hospitals, attributable to the voluntary nature of the reporting system in private hospitals and the absence of a uniform mechanism for private hospitals to follow;
  - (ii) the checking of compliance with relevant land grant conditions had not been adequately covered in the annual inspections of private hospitals. As such, the DH could not ascertain whether the public could benefit from the provision of free/low-charge beds in those hospitals operating on Government sites granted by private treaties at nil or nominal premium;
  - (iii) the DH did not refer cases involving professional misconduct of doctors and nurses to the relevant professional bodies for their consideration; and

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- (iv) the DH had not taken effective measures to improve price transparency of healthcare services provided by existing private hospitals. As reflected by the arrangement introduced in April 2012 to include a set of special requirements such as the publication of a comprehensive services price list in the tender documents for private hospital development at two sites, the Government could have taken administrative measures to impose similar requirements on the operation of existing hospitals to improve price transparency;
- does not accept the Secretary for Food and Health's explanation as to why the revision of the Ordinance has not been vigorously pursued since 2000;
  - acknowledges that in recognition of the inadequacies in the regulation of private hospitals identified in the Director of Audit's Report ("the Audit Report"), the Secretary for Food and Health and the Director of Health were committed to taking steps to introduce improvement measures;
  - welcomes that, in October 2012, the Government has set up a steering committee to conduct a review on the regulatory regime for private healthcare facilities, and after the review is completed, the Government would then consult the public on the proposal put forward by the steering committee;
  - expects the Food and Health Bureau and DH to take on board the recommendations made by the steering committee in introducing necessary legislative amendments to the Ordinance and to adopt a proactive approach in monitoring private hospitals;

<b>Specific comments</b>
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Inspection of private hospitals

*Department of Health's inspection programme*

- finds it unacceptable and inexcusable that:
  - (a) despite the requirement in the "Protocol for Inspection of Private Hospitals, Nursing Homes and Maternity Homes under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (March 2010)" that a checklist should be used for guiding



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and documenting announced and unannounced inspections of private hospitals, such a checklist was not used in the inspections conducted between September 2010 and August 2012 by the Office for Registration of Healthcare Institutions ("ORHI"). Hence, the extent of checking performed by the ORHI could not be ascertained;

- (b) for some inspections conducted by the ORHI, no inspection reports or minutes were prepared to document the results; and
  - (c) although some of the existing private hospitals are operating wholly or partly on sites granted by the Government through private treaty and are subject to relevant land grant conditions, the DH's inspection programme did not cover the checking of private hospitals' compliance with such conditions adequately;
- acknowledges that since September 2012, the DH:
- (a) has used a revised checklist to guide the annual inspections and document the results for the purpose of ensuring comprehensiveness of the inspections; and
  - (b) has started using a specific checklist for checking private hospitals' compliance with relevant land grant conditions and has already incorporated these procedures into the inspection programme;
- notes that the Director of Health welcomes Audit's recommendations in paragraph 2.15 of the Audit Report and will take steps to introduce improvement measures;

*Regulatory actions arising from inspections*

- finds it unacceptable and inexcusable that:
- (a) the DH did not attach great importance to its regulatory actions, resulting in a decreased deterrent effect on the hospital concerned in that:
    - (i) the DH did not state explicitly whether a regulatory letter issued to a private hospital in respect of irregularities found during inspections was an advisory or warning letter. The private hospital concerned might not be fully aware of the degree of seriousness of the matter;

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- (ii) for some inspections in which serious irregularities were noted, the DH only provided summary reports of inspection to the hospitals concerned for follow-up actions, but did not issue any advisory or warning letters to them. An example of such serious irregularities included a specialty centre had started operation before the registration of the premises was approved; and
- (iii) the DH's regulatory actions were not always effective to ensure prompt remedial actions by the hospitals concerned. For example, as revealed in paragraph 2.27 of the Audit Report, despite the DH's repeated advice or warnings given in its regulatory letters to the hospital concerned that admission of maternity cases should be restricted to the registered maternity home, the hospital concerned took more than nine months to rectify the situation; and
- (b) DH's inspection reports completed in recent years revealed common irregularities in some private hospitals and the DH had not disseminated lessons learnt from these cases to all private hospitals;
- notes that the Director of Health welcomes Audit's recommendations in paragraph 2.29 of the Audit Report and will take steps to introduce improvement measures;

Monitoring of sentinel events and complaints

*Monitoring of sentinel events*

- expresses grave dismay and finds it inexcusable that:
  - (a) given the voluntary nature of the sentinel event reporting system, there is a high risk of under-reporting of sentinel events by private hospitals. A few private hospitals had reported more sentinel events than the others. For example, in 2009, the number of sentinel events reported by two hospitals had accounted for 60% of the total 52 sentinel events reported in the year by all private hospitals;
  - (b) no regulation had ever been made by the Director of Health under section 6(1) of the Ordinance. Section 6(1) of the Ordinance empowers the Director of Health to make regulation in respect of

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- requirements on notification to be given of any death occurring in private hospitals. By virtue of section 6(1) of the Ordinance, the Director of Health could have made the notification of sentinel events involving death of patients by private hospitals to the DH mandatory. However, the Director of Health had failed to exercise such power;
- (c) the DH had not accorded sufficient attention to the monitoring of the sentinel events reporting system, which aims at identifying areas for improvement in the quality and safety of healthcare services in that:
    - (i) from 2008 to 2011, 56% of the sentinel events in private hospitals were not reported to the DH within 24 hours of their occurrence, contrary to the requirement under the sentinel event reporting system. In 61% of the reported cases of sentinel events, private hospitals did not submit the full investigation reports to the DH within 4 weeks of the occurrence of the events, contrary to the requirement; and
    - (ii) for five sentinel events that occurred in 2007, the hospitals concerned had not submitted any investigation reports to the DH, and the DH had not taken adequate follow-up actions;
  - (d) instead of taking up the role of a regulator, the DH adopted a "partnership approach" towards private hospitals in enforcing the Ordinance. After investigating sentinel events, the DH only issued advisory or warning letters to the private hospitals concerned if the cases were substantiated, and such letters were few. The DH did not refer cases involving professional misconduct of doctors and nurses to the relevant professional bodies for their consideration;
  - (e) from 2007 to 2011, the DH issued only three press releases relating to sentinel events in private hospitals and uploaded an aggregated figure of sentinel events onto its website on a quarterly basis without disclosing identities of the private hospitals concerned and details of the sentinel events. Hence, the public were not adequately alerted to such sentinel events;
  - (f) the criteria adopted by the DH for disclosing sentinel events to the public are different from those adopted by the Hospital Authority for public hospitals, and there is no justification for the disparity; and

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- (g) instead of developing a uniform mechanism for private hospitals to follow, the DH requires the hospitals to develop their own policies and mechanisms for the management of sentinel events;
- notes that:
  - (a) the Director of Health has accepted Audit's recommendations in paragraph 3.21 of the Audit Report; and
  - (b) the Secretary for Food and Health has accepted Audit's recommendation in paragraph 3.22 of the Audit Report;
- acknowledges:
  - (a) the explanation given by the Director of Health that by adopting a "partnership approach", the DH aims to work together with private hospitals to enhance the quality of healthcare services and standards of patient safety, and the ultimate aim is to protect the interest of customers/patients of private hospitals. The Director of Health reassured the Committee that the DH will not help the private hospitals to conceal any serious irregularities;
  - (b) the Secretary for Food and Health's stance that the DH will play the role of a regulator as well as that of a partner in the regulation of private hospitals; and
  - (c) that, for cases of sentinel events involving professional misconduct or substandard performance of significant public health impact, the DH would refer the cases to relevant professional bodies for action;

*Handling of complaints against private hospitals*

- expresses grave dismay and finds it inexcusable that:
  - (a) notwithstanding the fact that the complaint digests are useful for the DH to screen for any potential sentinel events unreported, five private hospitals had not always submitted the complaint digests monthly to the DH as required by the COP; and
  - (b) although the DH noted irregularities in the course of its investigation of a number of complaint cases, it did not issue advisory or warning letters to the private hospitals concerned. Such irregularities

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included non-compliance with established procedures or inadequacies that required prompt rectification;

- notes that the Director of Health has accepted Audit's recommendations in paragraph 3.38 of the Audit Report;

Price transparency in hospital charges

- expresses dissatisfaction and finds it unacceptable that:
  - (a) despite the COP provides that patients have the right to know the fees and charges prior to consultation and any procedures, a large number of complaints received by private hospitals and the ORHI were about unexpected price increase, unreasonable charges and price information (including doctor fees) not communicated in advance to patients;
  - (b) contrary to the practice of the Hospital Authority to make available comprehensive price information on its private services on the website, most private hospitals did not provide comprehensive price information for their services except those offered at packaged charges, and the availability of charging information to the public varied considerably among private hospitals. It was difficult for customers to make price comparison or informed choices about their healthcare; and
  - (c) the DH had failed to take adequate measures to address the problem of the lack of price transparency in private hospitals;
- notes that:
  - (a) the Government had, in April 2012, included in the tender documents for developing new private hospitals at two sites a set of special requirements such as the need for the new hospitals to publish a comprehensive services price list and to provide services at packaged charges;
  - (b) the Director of Health has agreed with Audit's recommendations in paragraph 4.16 of the Audit Report; and
  - (c) the Secretary for Food and Health has agreed with Audit's recommendation in paragraph 4.17 of the Audit Report;

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- urges the Secretary for Food and Health, in collaboration with the Director of Health:
  - (a) to continue to encourage private hospitals to offer more services at packaged charges, thereby enhancing price transparency; and
  - (b) to formulate guidelines for private hospitals to adopt standardised format and terminology for their fee schedules for the purpose of facilitating price comparison;

Performance measurement and reporting

- expresses serious concern that:
  - (a) the two performance measures reported by the DH in the 2012-2013 Controlling Officer's Report ("COR") focus mainly on output and are inadequate for measuring the efficiency and effectiveness of the DH's regulatory work on private hospitals; and
  - (b) regarding the performance measure on the number of inspections of licensed institutions reported in the 2012-2013 COR, there was no breakdown of the number and type of inspections carried out for each type of healthcare institution (e.g. private hospital and nursing home);
- notes that:
  - (a) the Food and Health Bureau and the DH have commenced a review of the Ordinance, and the DH will take into account the audit recommendations about developing appropriate effective performance/outcome indicators when conducting the review; and
  - (b) the Director of Health has accepted Audit's recommendations in paragraph 5.7 of the Audit Report;

<b>Way forward</b>
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- expresses concern that there is insufficient manpower in the ORHI for inspecting private hospitals and monitoring sentinel events;

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- notes that:
  - (a) to ensure that the services of the new hospitals are of good quality and will cater for the needs of the general public, a set of special requirements for private hospital development, covering aspects such as land use, service scope, packaged charge and price transparency, and service standard had recently been included by the Government in the tender documents for developing private hospitals at two sites, and a number of measures could be taken by the Government if the successful tenderer breaches any of its obligations;
  - (b) in October 2012, the Government set up a steering committee to conduct a review on the regulatory regime for private healthcare facilities. On 18 December 2012, the Government announced that the Working Group on Regulation of Private Hospitals ("the Working Group") under the auspices of the Steering Committee on Review of the Regulation of Private Healthcare Facilities has been formally set up and come into operation. The Working Group is tasked with reviewing the scope of the existing legislation and the regulatory regime for private hospitals, and formulating recommendations for enhanced control of different aspects related to the provision of healthcare services by private hospitals. It will gather views of stakeholders concerned and make reference to overseas regulatory frameworks that are applicable to local circumstances when undertaking its duties. The Working Group would submit its findings to the Steering Committee in the second half of 2013, with recommendations on the regulatory framework that should be adopted for private hospitals;
  - (c) prior to the amendments of the regulatory regime, the DH will take measures with reference to the audit recommendations to enhance and strengthen the supervision and regulation of private hospitals; and
  - (d) the Secretary for Food and Health and the Director of Health have agreed with the audit recommendations in paragraph 6.14 of the Audit Report;
- urges the Director of Health to report to the Panel on Health Services ("HS Panel") of the Legislative Council on the progress of the implementation of the special requirements for the new hospitals;

- urges the Secretary for Food and Health to report to the HS Panel on the recommendations of the Working Group, and the progress of the review of the Ordinance; and

<b>Follow-up action</b>
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- wishes to be kept informed of the progress made in implementing the various recommendations made by the Committee and Audit.



## **A. Introduction**

The Audit Commission ("Audit") conducted a review of the direct land grants made by the Government at nil or nominal premium for private hospital development, and examined one land sale transaction for private hospital development.

2. **Hon Abraham SHEK Lai-him** declared that he was currently a member of the Court and Council of the University of Hong Kong and an Independent Non-executive Director ("INED") of the Hsin Chong Construction Group Ltd. and NWS Holdings Limited. **Hon Abraham SHEK Lai-him** said that being a member of the Court of the University of Hong Kong and an INED of Hsin Chong Construction Group Ltd. and NWS Holdings Limited, he was neither informed of nor involved in the April 2012 tendering exercise for private hospital development at two government sites. **Hon Abraham SHEK Lai-him** also said that being a member of the Council of the University of Hong Kong, he was aware that the University of Hong Kong might involve in the April 2012 tendering exercise for private hospital development at two government sites.

3. **Hon Paul TSE Wai-chun** declared that he was currently a member of the Court of the University of Hong Kong. **Hon Paul TSE Wai-chun** said that he was neither informed of nor involved in the April 2012 tendering exercise for private hospital development at two government sites.

4. As a Member returned by the Real Estate and Construction functional constituency, **Hon Abraham SHEK Lai-him** decided that it was prudent for him not to chair the public hearing as well as the Committee's internal deliberations on Part 4 of the Director of Audit's Report ("Audit Report") on sale of land for private hospital development. **Hon Paul TSE Wai-chun**, Deputy Chairman of the Committee, presided over the public hearing as well as the Committee's internal deliberations on Part 4 of the Audit Report on sale of land for private hospital development.

5. **Hon NG Leung-sing** declared that he was a Chinese Representative of the now dissolved Sino-British Land Commission.

**B. Special land grant conditions set on private hospitals**

6. The Committee noted that as early as 1957 and further elaborated in 1981 (i.e. "the 1981 requirements") as set out in Appendix A to the Audit Report, it was the Government's policy to grant Government sites by private treaty at nil or nominal premium to non-profit-making private hospitals, subject to a number of conditions. These conditions included (i) the need to provide free or low-charge beds and (ii) the need to plough back profits/surplus derived from the hospitals to improve and expand the hospital facilities (i.e. the "Two Salient Requirements"), the intention of which was that with the Government revenue foregone, a wider section of the public could benefit. Audit however found that the Two Salient Requirements had not always been strictly and consistently applied to six of the eight direct land grants made to five private hospitals as shown in Table 2 in paragraph 2.10 of the Audit Report. The Committee asked which bureau/department ("B/D") was responsible for implementing the aforesaid Government's policy.

7. **Dr KO Wing-man, the Secretary for Food and Health**, responded that:

- the Food and Health Bureau ("FHB") was responsible for proposing the land grant conditions for inclusion in the land lease to non-profit-making private hospitals for consideration and approval by the Executive Council ("ExCo"); and
- upon approval of the land grants to private hospitals by the ExCo, the Department of Health ("DH") was responsible for enforcing the compliance with the land grant conditions by private hospitals.

8. **Ms Bernadette LINN, the Director of Lands**, responded that:

- it was the established practice of the Lands Department ("Lands D") to circulate the draft private treaty grant ("PTG") to the relevant B/D for comments, prior to submitting the PTG to the ExCo for approval. The relevant B/D could add or take out any land condition(s) from the draft PTG as deemed appropriate from their policy perspectives. Similar procedures would be adopted for processing subsequent changes to the private land grant arising from, say, surrendering of a land grant in exchange for another land grant and changing the use of a building on the land grant site;

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- notwithstanding the Government's policy of including the Two Salient Requirements in direct land grants to non-profit-making private hospitals, the ExCo could decide on its own as to whether these Requirements should be included based on the circumstances of each case;
- the Lands D could not trace the reasons why the two Salient Requirements were not included in the land grants to some non-profit-making private hospitals, as it could not find the records which could explain such exclusion. There was also no record indicating that the Lands D had reminded the FHB and/or the DH to include the Two Salient Requirements in the land grants to non-profit-making private hospitals; and
- to ensure that future policy decisions made on land grant conditions for private hospitals were strictly and consistently applied and to avoid missing the opportunities to include any mandatory land grant condition in the land lease which was omitted from the land lease in the first place, the Lands D would take steps to facilitate better coordinated action among B/Ds in the drafting and approving of PTGs.

9. On the responsibilities between the Lands D and the B/Ds in ensuring the compliance of land grant conditions by the grantees, the **Director of Lands** explained that:

- routine inspection was conducted by the sponsoring B/Ds which had close contact with the grantees; and
- where the sponsoring B/Ds had queries on whether certain activities carried out at or arose from the land grant sites were permissible under the land grant conditions, the Lands D would follow up and/or seek legal advice, and take lease enforcement actions, such as taking back the land from the grantees as appropriate.

10. **Dr Constance CHAN Hon-ye**, the **Director of Health**, supplemented that conditions in the land lease of non-profit-making private hospitals specifying that they were subject to the satisfaction/approval of the Director of Health, such as the provision of free or low-charge beds, had been included in the DH's inspection programme of private hospitals. As regards the compliance with other conditions in the land lease which did not fall within the remit of the DH, if the DH had doubts or had received complaints about their compliance, the DH would refer the matters to the Lands D for follow-up.

11. The Committee asked the Secretary for Development whether he agreed that the Development Bureau ("DEVB") should be held accountable for not including the Two Salient Requirements in some of the land grants made to private hospitals.

12. **Mr Paul CHAN Mo-po, the Secretary for Development**, responded that:

- there was no question of the DEVB shirking their responsibility for the exclusion of the Two Salient Requirements from some of the direct land grants made to private hospitals. Staff of the DEVB and the Lands D had endeavoured to trace the reasons for the exclusion, but to no avail; and
- it was possible that if the FHB and the DH had not included certain conditions in the draft land lease, the Lands D might omit to include the same in the land lease submitted to the ExCo for approval.

13. The **Director of Lands** supplemented that:

- not all of the direct land grants, which did not contain the Two Salient Requirements, made to private hospitals were without any information on the exclusion;
- in the case of land grant ("LG") 2 to Hospital B, the ExCo might have considered the views of the DH made in 1962 that the PTG should not require a percentage of free beds because "it had not been recent practice to require a percentage of beds to be free, but an assurance will be required that the majority of beds should be low cost" in deciding that the PTG should only contain the "profits/surplus plough-back" requirement and not the "free or low-charge beds" requirement; and
- in the case of LG5 to Hospital D, the "profits/surplus plough-back" requirement was originally contained in the PTG approved by the ExCo in 1959, but the requirement was modified in 1983, as approved by the ExCo, to the effect that there should be no distribution of profit derived from the hospital block on the site and the hospital could apply all such profits to charitable purposes of the grantee with the exception of any evangelical or ecclesiastical purposes.

14. The **Secretary for Food and Health** supplemented that the reason why the "free or low-charge beds" requirement was not included in the land grant to Hospital B might be due to the fact that the hospital was relatively small providing only 40 to 45 beds. Hence, it was considered that merely providing just a few free or low-charge beds could not benefit a wider section of the public.

15. The Committee noted from Table 3 in paragraph 2.12 of the Audit Report that there were a few opportunities for the FHB and the DH to include the Two Salient Requirements in LG3 to Hospital C and LG7 to Hospital E when the leases of these land grants were being considered for extension for another 50 years to expire by 30 June 2047. The Committee asked the FHB and the DH why they had not done so.

16. The **Secretary for Food and Health** responded that:

- although the FHB and the DH were aware that the Two Salient Requirements should be included in the land grants for non-profit-making private hospitals, the reason for renewal of the leases of LG3 to Hospital C and LG7 to Hospital E on the existing conditions without the inclusion of these two Requirements might be due to the fact that the FHB and the DH considered it more important to align with the spirit of the Sino-British Joint Declaration 1984 and the prevailing Government's stance to ensure Hong Kong's smooth transition to the People's Republic of China's sovereignty on 1 July 1997;
- there was no record that the FHB and/or the DH had sought any legal or constitutional advice before coming to the above decision; and
- no reasons could be traced from the existing papers and documents as to why the Two Salient Requirements had not been included in LG3 to Hospital C and LG7 to Hospital E.

17. The Committee was of the view that the FHB and the DH could have taken the opportunity to include the Two Salient Requirements in LG3 to Hospital C and LG7 to Hospital E when the leases of these land grants were being considered for extension prior to 1 July 1997 on the basis of the following:

- according to the Sino-British Joint Declaration 1984, all leases of land granted by the British Hong Kong Government not containing a right of

renewal that expired before 30 June 1997, except short term tenancies and leases for special purposes, might be extended if the lessee so wished for a period expiring not later than 30 June 2047 without payment of an additional premium. As PTGs granted for non-profit-making hospitals were special purpose leases, their extension should be considered on a case-by-case basis; and

- it was mentioned in the memoranda from the Chief Estate Surveyor/Estate Management (Regrant Section) to a distribution list (including the Director of Hospital Services) on two proposed lease extensions dated 23 February 1990 and 28 January 1991 (in *Appendices 27 and 28*) that although the leases would be extended on the existing conditions by means of the simplified extension document, "*certain basic and essential conditions will be amended/inserted where there appears to be serious defect in the existing lease*". Given that the inclusion of the Two Salient Requirements in the land grants to non-profit-making private hospitals was Government's policy, these Requirements should fall within the meaning of "basic and essential conditions" referred to in the memoranda.

18. The **Secretary for Food and Health** agreed that the FHB and the DH could have included the Two Salient Requirements in the leases of LG3 to Hospital C and LG7 to Hospital E when the leases of these land grants were being considered for extension prior to 1 July 1997.

19. The **Director of Health** supplemented that:

- the leases of LG3 to Hospital C and LG7 to Hospital E had been classified as a lease for special purpose under the New Territories Leases (Extension) Ordinance (Cap. 150);
- in the two memoranda referred to in *Appendices 27 and 28*, the officials on the distribution list, including the Director of Hospital Services, were invited to consider the proposed modifications to the leases contained in Annex C to the memoranda which did not include the Two Salient Requirements; and
- from the reply given by the Director of Hospital Services to the Chief Estate Surveyor/Estate Management (Regrant Section) on a proposed

lease extension dated 22 April 1991 (in *Appendix 29*), it appeared that considerations were only given as to whether certain special conditions contained in the lease had been complied with by the grantee.

20. The Committee expressed concern about the lack of coordination between the DH and the Lands D in ensuring that the Two Salient Requirements were incorporated in the land grants to non-profit-making private hospitals. The Committee asked about the measures which would be taken by the DH and the Lands D to ensure that the Two Salient Requirements were always included in the direct land grants to non-profit-making private hospitals in future.

21. The **Secretary for Food and Health** responded that:

- the FHB and the DH would take the opportunities to include the Two Salient Requirements in those land grants which did not contain these Requirements when the grantees applied for lease renewal, lot extension or lease modification to cope with any hospital expansion or redevelopment;
- to better serve the interests of the public, the Government conducted a review of the land disposal policy and strategy for private hospital development in 2010. In January 2011, the ExCo approved the adoption of a set of minimum requirements for new private hospitals to be developed on new Government sites. These minimum requirements covered aspects such as land use, date of commencement of operation, bed capacity, service scope, packaged charge and price transparency, service target, service standard, and reporting;
- in April 2012, the Government put out two of the four Government sites reserved for new private hospital development for open tender. In the open tender, a two-envelop approach, with greater emphasis on the quality of the service provision than on land premium, was adopted. Specifically, the service provision proposal, which would be evaluated against a pre-defined marking scheme by an assessment panel comprising members from relevant B/Ds, carried a weighting of 70%; whilst the land premium carried a weighting of 30%. The tenders for these two reserved sites were closed in late July 2012. It was expected that the tender results would be announced in the first quarter of 2013; and

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- having regard to the experience of these tender exercises, the responses of the market and the aspirations of the community, the FHB would consider whether the new policies for private hospital development would need to be revised/fine-tuned before reporting to the ExCo.

22. The **Secretary for Development** agreed that there was room for improvement between the coordinated actions of the Lands D and the DH to ensure that the two Salient Requirements were included in the direct land grants to non-profit-making private hospitals. The **Director of Lands** supplemented that:

- in drafting land grants and in handling lease modification in future, the Lands D would remind the DH to include essential requirements, such as the Two Salient Requirements, in the leases; and
- in the enforcement of conditions of PTGs, including those of the direct land grants for private hospitals, consideration would be given to the drawing up of a protocol setting out the respective responsibilities of the Lands D and the relevant B/Ds.

23. The Committee asked whether the FHB and the DH only became aware of the omission of the Two Salient Requirements in some of the direct land grants to non-profit-making private hospitals during the Audit review conducted in early 2012.

24. The **Secretary for Food and Health** responded that the DH had stepped up its monitoring of private hospitals' compliance with the land grant conditions prior to the Audit review. For instance, the DH had introduced in December 2010 a new arrangement of requesting private hospitals to submit, when applying for hospital re-registration, the hospital auditors' certifications of compliance with all of the financial-related requirements in the land grant conditions.

25. As the DH was empowered under the the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) to regulate private hospitals, the Committee asked whether the FHB had explored the feasibility of requiring those private hospitals whose land grants did not contain the "free or low-charge beds" requirement to provide free or low-charge beds.



26. The **Secretary for Food and Health** assured members that if the land grants to non-profit-making private hospitals did not contain the "free or low-charge beds" requirement, the FHB and the DH would use administrative means to request these private hospitals to provide free or low-charge beds.

27. The Committee noted from paragraph 2.16 of the Audit Report that although Hospital F was required under the land grant conditions to provide free or low-charge beds, LG8 to Hospital F had not defined the number of such free or low-charge beds to be provided, such as "not less than 20% low-charge beds in the hospital". Instead, Hospital F was only required to provide free or low-charge beds and services as when required by the Director of Health to his satisfaction. The Committee further noted from paragraph 2.19(b) of the Audit Report that the Lands D had suggested in its first draft of the land grant conditions to Hospital F to include the "20% low-charge beds" and other 1981 requirements. In the light of this, the Committee asked the Secretary for Food and Health why the "free or low-charge beds" requirement had not been well defined in the land grant to Hospital F which could be expanded to provide 300 or more hospital beds.

28. The **Secretary for Food and Health** explained that:

- as the Government was in the process of reviewing the land policy, including the land grant conditions, for private hospital development referred to in paragraph 21 above when considering the land grant conditions for LG8 to Hospital F, the FHB had therefore decided not to define the "free or low-charge beds" in the land grant which came into effect in June 2010, so as to allow flexibility for inclusion of other additional new conditions when the aforesaid review had been finalized; and
- in view of the practical difficulties encountered in the implementation of the "20% low-charge beds" requirement and in monitoring its compliance, it was the Government's intention to abolish the "20% low-charge beds" requirement in future land grants which was to be replaced by other alternative requirements, such as packaged charge for the middle class, alongside other new conditions, such as through hospital accreditation on a continuous basis and price transparency, to ensure service quality.

29. The Committee considered that the FHB should obtain the ExCo's approval for deviating from the "20% low-charge beds" requirement stipulated in the 1981 requirements on direct land grants to non-profit-making private hospitals, as the new land policy had not yet been approved by the ExCo until January 2011. The Committee was concerned that because the FHB had not specified how the "free or low-charge beds and services", and the extent, were to be provided, the existing land grant provisions had left much leeway for Hospital F to assign and use the beds at its sole discretion, albeit subject to the DH's satisfaction.

30. The **Secretary for Food and Health** responded that with hindsight, the FHB should have sought prior approval from the ExCo for the deviation.

31. According to paragraph 2.23(a) of the Audit Report, Audit considered that the FHB and the DH needed to specify the Government's requirements clearly for provision of "free or low-charge beds and services" in LG8 to Hospital F and explore whether such provision should be replaced by the 2011 minimum requirements (such as the provision of standard beds at packaged charges) set out for new private hospitals. The Committee asked whether, and if so, what actions had been taken by the DH in this regard.

32. The **Secretary for Food and Health** said that he agreed with the Audit recommendations set out in paragraph 2.23 of the Audit Report to take action on the following:

- to specify the Government's requirements clearly for provision of "free or low-charge beds and services" in Hospital F and to explore whether the "low-charge beds and services" condition should be replaced by the 2011 minimum requirements (such as the provision of standard beds at packaged charges), taking into account the Audit's observations in Part 3 of the Audit Report on the DH's enforcement of the land grant conditions;
- to clarify the legal position on whether it was feasible for the Government to impose other additional requirements, such as the 2011 minimum requirements, on the operation of Hospital F through the use of the "Compliance with prevailing policies" condition in the land lease; and

- to put in place a proper mechanism to monitor the effective implementation of the "low-charge beds and services" or "packaged charges" requirement and any other additional requirements imposed on Hospital F as mentioned above.

33. The **Director of Health** supplemented that legal advice would be sought on whether there was legal backing in the land grant to Hospital F to require the hospital to implement the "20% low-charge beds" requirements. Pending outcome of the legal advice, the DH would discuss with Hospital F on the possibility of setting aside 20% of the total number of beds in the hospital as low-charge beds.

### **C. Monitoring and enforcement of land grant conditions**

#### Provision of free or low-charge beds

34. According to paragraph 3.11(a) of the Audit Report, free beds should have been provided by Hospital D on LG5 since the 1960's. However, although the land grant had stipulated that Hospital D should furnish annually to the DH a statement indicating the total number of first, second and third class paying patients treated, and the number of in-patients treated free, Audit found that there was no reporting of these statistics. The DH did not make any enquiry until April 2012 when Audit questioned whether the 20 free beds had really been provided. In the same month, the DH also enquired the Lands D on whether the "20 free beds" requirement was still in force. The Committee asked why the DH only started to make enquiry with Hospital D and the Lands D in April 2012 on the provision of free beds in Hospital D.

35. The **Director of Health** explained that:

- when the DH took over the regulation of private hospitals from the former Medical and Health Department ("M&HD") in December 1991, it was not a standard practice for the former M&HD to conduct inspection of private hospitals or to monitor the provision of free beds. Hence, the DH was not aware of the land grant condition for LG5 to Hospital D regarding the provision of 20 free beds until April 2012 when Audit questioned whether the 20 free beds had really been provided; and

- the DH had started to monitor the provision of 20 free beds in Hospital D on LG5 site, after the Lands D had confirmed in May 2012 that 20 free beds should be provided by Hospital D under the land grant conditions. Specifically, the DH would require Hospital D to devise a scheme for providing free beds on LG5, including ways to maximize the usage of these beds which only ranged from 17% to 24% from 2007 to 2011.

36. The **Director of Health** further said that:

- the DH had all along been monitoring the provision of low-charge beds by Hospital D on LG6 site; and
- in September 2012, the DH had incorporated the land grant conditions in its checklist for inspection of private hospitals and in the questionnaire for completion by private hospitals applying for licence renewal.

37. The Committee pointed out that it appeared that the DH had only started to step up monitoring of the provision of low-charge beds in Hospital D on LG6 site since 2008, having regard to the fact that Hospital D had only started to report the utilization of low-charge beds on LG6 site to the DH since 2008 as stated in paragraph 3.11(d) of the Audit Report.

38. The Committee further noted from paragraph 3.11(d) of the Audit Report that the low-charge beds in Hospital D on LG6 site had very low utilization rates (1% in 2008 and ranging from 23% to 45% during 2009 to 2011), as compared with 98% to 113% of other regular beds available in the whole hospital. The Committee asked why the DH had not entered into mutual agreement with the grantee of Hospital D on how to use the low-charge beds, which the DH was obliged to do so under the land grant conditions, so as to improve the usage of these beds.

39. The **Director of Health** responded that:

- the DH had all along been liaising with Hospital D to step up publicity on the provision of low-charge beds in the hospital to patients and visiting doctors;

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- the reason why the usage of low-charge beds had remained low was due to the fact that patients still considered the medical fees high as compared to using public hospital beds. Apart from paying a daily rate of \$100 per bed, patients using low-charge beds had to pay other hospital charges, albeit at a discounted rate; and
- although the DH had not entered into agreement with Hospital D on how to use the low-charge beds, this did not mean that the DH had not enforced the land grant condition that the Director of Health and the Chief Executive of the Hospital Authority ("HA") might utilize the low-charge beds provided that the patients using such beds should not be chronic long term cases and the Government would pay the fees for such beds. A case in point was that during the outbreak of swine flu in May 2009, Hospital D agreed to provide 60 low-charge beds for convalescence patients referred by the HA if required.

40. As stated in paragraph 3.11(f) of the Audit Report, in January 2012, Hospital D informed the DH of the criteria that patients must meet for admission to low-charge beds. The Committee queried whether this meant that the hospital could decide on its own the criteria for admission to low-charge beds or that the DH had not monitored how such criteria should be set in order to benefit the public.

41. The **Secretary for Food and Health** responded that there was no question of Hospital D deciding on its own the criteria for admission to low-charge beds or that the DH had not monitored how such criteria should be set in order to benefit the public. A case in point was that one of the three admission criteria to low-charge beds in the hospital, i.e. "those in possession of a medical insurance policy would also be entertained", was suggested by the DH for incorporation into the admission criteria.

42. On the question of how the DH had monitored the compliance with the low-charge beds by Hospital D, the **Director of Health** said that the DH examined the hospital bills for discharged cases to ensure that the following land grant conditions had been complied with:

- not less than 20% of the total number of beds provided should be low-charge beds;

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- the daily maintenance charge for the low-charge beds should not exceed the maximum charges of the general ward scale in public hospitals: this was to cover beds, food and general services including nursing; and
- other hospital charges (for the 20% low-charge beds), such as charges for operating theatres, laboratory tests, X-ray tests and drugs should not exceed 50% of similar charges applied to second-class beds of the said hospital.

43. At the request of the Committee, the **Director of Health** provided an account on the monitoring of the land grant condition of LG6 by Hospital D of providing low-charge beds after the public hearing (in *Appendix 30*).

44. On the question of whether the DH had issued any regulatory letter to Hospital D for the under-utilization of its low-charge beds, the **Secretary for Food and Health** replied in the negative. He further said that:

- due to the low utilization of free and low-charge beds, the Government would endeavour to replace the requirement of providing free or low-charge beds included in the land leases of existing non-profit-making private hospitals by the requirement of providing standard beds at packaged charges when the grantees of these land leases applied for lease renewal in future; and
- in the meantime, the FHB and the DH would assist Hospital D and Hospital F in optimizing the use of free or low-charge beds. For instance, the DH was in discussion with the HA on setting out the procedures for referring needed patients to Hospital D and Hospital F.

Profits/surplus plough-back requirement

45. The Committee noted from paragraph 3.13 of the Audit Report that although four private hospitals on PTG sites, i.e. Hospital B, Hospital C, Hospital D and Hospital F, had achieved surplus from their hospital operations in recent years, the DH had not timely adjusted its mode and degree of monitoring. In particular, with significant surplus being achieved by a few of these private hospitals, the DH had not effectively monitored the hospitals/grantees' financial affairs to ensure their compliance with the "profits/surplus plough-back" requirement in the land grants. The Committee further noted from paragraph 3.6 of the Audit Report that the DH

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introduced a new measure in December 2010 requesting private hospitals to submit, when applying for hospital re-registration, auditors' certification confirming that the hospitals had complied with all the financial-related requirements in the land grant conditions.

46. The Committee was concerned that due to the fact that the DH had only started to require private hospitals on PTG sites to submit auditors' certification confirming that they had complied with all financial-related land grant conditions in December 2010, substantial surplus/profits derived from the four private hospitals that should have been used exclusively for hospital improvement or extension might have been significantly reduced through the following means:

- payment of licence fees of \$303 million in 2009 and 2010 by Hospital D to the grantee. The licence fees represented 22.7% of the hospital's surplus for the two years;
- payment of donations of \$180 million in 2009 and 2010 by Hospital D to the grantee. The donations represented 13.5% of the hospital's surplus for the two years;
- payment of donations of \$22.8 million in 2009 and 2010 by Hospital F to a related organization. The donations represented 12.8% of the hospital's surplus for the two years; and
- provision of hospital-related services in the hospital premises of Hospital B and Hospital D by profit-making related companies. Profits derived by these companies were not included in the hospitals' profits/surplus (except dividends on investments).

47. The Committee considered that as Hospital B, Hospital D and Hospital F were not operated by the grantees but by related organizations with separate legal entities as stated in paragraph 3.12 of the Audit Report, the risk of reducing the hospitals' surplus available for ploughing back for the hospitals' use through licence fees/donations paid to grantees could have been avoided if the DH had monitored effectively both the hospitals' and the grantees financial affairs to ensure their compliance with the "profits/surplus plough-back" requirement.

48. The **Director of Health** responded at the public hearing and elaborated in her reply dated 17 December 2012 to the Committee (in *Appendix 31*) that:

- prior to December 2010, private hospitals were only required to submit audited accounts when applying for re-registration and no examination had been conducted by the DH staff on the hospitals' compliance of the financial-related land grant conditions. The DH had only started to enforce the "profits/surplus plough-back" requirement on private hospitals on PTG sites in December 2010 by requesting private hospitals to provide auditors' certification of compliance with financially-related clauses in the land grant conditions for the year ended 31 December 2010;
- based on the hospitals' recent audited accounts for the year ended December 2011 submitted to the DH, the DH had been liaising with the Lands D to seek clarifications on the following:
  - (a) how the profit distribution of hospitals occupying multiple land lots with various profits/surplus plough-back requirements should be handled. Although Hospital C was operating on LG3 and LG4, only the lease of LG4 contained the "profits/surplus plough-back" requirement. In the case of Hospital D, the hospital was operating on LG5, LG6 and one self-purchased land and only the lease of LG6 contained the "profits/surplus plough-back" requirement; and
  - (b) whether it was permissible under the land grant conditions for private hospitals on PTG sites to make donations to the grantee and/or parent/related organizations out of surplus derived from services provided on the PTG sites;
- in cases where the grantee and the hospital were separate entities with transactions between the two, the DH would request the grantee to provide information on all its incomes and expenditures related to the operation of the hospital and to confirm whether the surplus, if any, was ploughed back to the improvement and extension of the hospital as required by the land grant conditions;
- in respect of the business arrangements which private hospitals on PTG sites had entered into with third parties for the provision of hospital services, the DH had reminded all private hospitals on PTG sites and grantees to observe their land grant conditions and to seek the approval of the Lands D as required; and



- due to the complexity of the issues involved, some of the follow-up actions, including taking legal advice, would take two to three years to complete.

49. The **Secretary for Food and Health** supplemented that to eradicate the risk of hospitals' surplus available for ploughing back for the hospitals' use being reduced through licence fees/donations paid to grantees, grantees of private hospitals on PTG sites wishing to transfer the whole or part of the operation of the hospitals to other organizations would in future need to first seek prior approval from the FHB and the DH. The FHB and the DH would incline to approve only the transfer of non-medical services, such as security and catering, from the hospitals to other organizations.

50. The Committee noted from paragraph 3.8 of the Audit Report that in July 2012, the DH further sought clarification from the Lands D on the application of the "profits/surplus plough-back" requirement in the land grants to the whole hospital or to only those parts of the hospital on PTG sites. In mid-September 2012, the Lands D provided the DH with its advice on the matter. The Committee asked the Director of Lands to shed light on such advice.

51. The **Director of Lands** responded that:

- according to the legal advice, the general approach would be to look at the relevant terms in each individual case, where appropriate, taking into account also the matrix of surrounding facts of the land grant and/or advice including expert advice in relation to terminology and arrangement, for instance, in relation to accounting matters relevant to the case, and policy intention on the issues;
- subject to the considerations above, insofar as compliance with the financial-related requirements in the relevant hospital land grant conditions were concerned, each relevant lease condition should be applied to the lot or portion of the lot in question carrying the particular lease condition and be interpreted accordingly. Therefore, one possible treatment for assessing compliance with the "profits/surplus plough-back" requirement was that the profits/surplus derived from the hospital (where hospital operation straddled two or more lots with different lease conditions) should be suitably apportioned amongst the lots, or portions of the lots, in question;

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- the treatment mentioned above was by no means exhaustive or intended to be binding on Government's position in relation to any cases under investigation or those which might necessitate investigation; and
- the DH and the Lands D were working closely side-by-side and would seek further legal advice as necessary in the investigation.

52. As stated in paragraph 3.7 of the Audit Report, Audit noted that the DH had not defined in its requests to the private hospitals the specific financial-related requirements which individual hospitals needed to comply with. As a result, the auditors' certifications so submitted by the private hospitals in 2011 could not provide adequate assurance that individual hospitals had properly complied with all the financial-related land grant conditions. Without specifying clearly the requirements, the auditors' certifications might fall short of the DH's expectations. The Committee asked whether, and if so, what progress had been made by the DH to rectify the situation.

53. The **Director of Health** responded that the DH had accepted Audit's recommendations as set out in paragraph 3.9 of the Audit Report. The DH had in September 2012 requested Hospital B, Hospital C, Hospital D and Hospital F to provide auditors' certification for the year ended 31 December 2011 of compliance with the "profits/surplus plough-back" requirement as stipulated in the land grant conditions.

54. Regarding the financial-related land grant conditions, the Committee suggested that the DH should (i) specify more clearly the requirements which the auditors appointed by the private hospitals should audit as soon as practicable; (ii) meet with the auditors prior to conducting annual inspections to private hospitals on PTG sites; and (iii) devise a standardized form for auditors to complete in the long run. The **Secretary for Food and Health** agreed to consider.

Site development not strictly in accordance with land grant conditions

*Social centre for the elderly and day hospital with rehabilitation facilities required*

55. As stated in paragraph 3.16 of the Audit Report, LG4 was granted to Hospital C for operating a non-profit-making medical, health and welfare centre which would provide a "social centre for the elderly" and a day hospital "with ...

rehabilitation facilities" for which the "free or low-charge bed" requirement was not applicable. Paragraph 3.17 of the Audit Report further stated that as it transpired, as at September 2012, LG4 was used by Hospital C as a hospital block providing, amongst others, 112 hospital beds and including three-storey wards with first-class and second-class rooms. According to the DH and the Lands D records, and confirmed by a site visit paid by Audit on its own in mid-August 2012, Audit could not find prima facie any "social centre for the elderly" or any day hospital "with ... rehabilitation facilities" in the hospital block as stipulated in the land grant. The Committee asked the Director of Health whether the DH had sought the advice of the Lands D on whether the land grant conditions had been breached if the relevant facilities were not available.

56. The **Director of Health** explained that:

- the monitoring of Hospital C's compliance with the land grant conditions of LG4 was carried out in accordance with the lease modified in June 2002 which allowed for change of the "type of building" on the PTG site at nil premium. As the relevant clause contained "other facilities may be approved by the Director of Health", the DH had therefore approved Hospital C's application for providing 109 hospital beds on LG4 site in 2008; and
- the provision of the "social centre for the elderly" was under the remit of the Social Welfare Department ("SWD").

57. In the same letter dated 17 December 2012 to the Committee, the **Director of Health** informed the Committee after the public hearings that the DH would consult the Lands D on the land lease conditions of LG4 and would request Hospital C to take remedial measures where appropriate.

58. The **Director of Lands** supplemented that:

- Hospital C, as the grantee, was liaising with the Director of Social Welfare on reprovisioning the "social centre for the elderly" (now operating at another location) in the hospital block on LG4 site. The Lands D would keep in touch with them and process any building plans expeditiously under the terms of the lease, taking advice from the relevant departments with a view to early reinstatement of the facilities to their satisfaction; and

- having regard to the recent discussions amongst the grantee and the departments concerned, the Lands D expected that the relevant building plans and the reinstatement exercise to be finalized in good time.

59. The Committee received a submission from Hospital C (in *Appendix 32*) in which it stated in paragraphs 7 and 11 of the submission that both the social centre for the elderly and the day hospital with rehabilitative facilities would be reprovisioned in the new hospital block on LG4 site by the end of 2013, upon completion of the relevant construction works.

60. According to paragraph 3.24 of the Audit Report, the lease modification to LG4 was only executed some three years after the new hospital block on LG4 site commenced operation. The Committee asked about the reason(s) for such delay and what measure(s) would be taken by the Lands D to avoid such incident from recurring.

61. The **Director of Lands** explained that:

- the reason why the lease modification of LG4 was executed some three years after the new hospital block commenced operation was partly attributable to the technical complications of constructing a connection bridge between LG3 and LG4 and partly to the lack of a sense of timeliness within the Lands D when processing the lease modifications of the two land grants. A chronology of events for lease modifications of LG3 and LG4 and that for processing of building plan submission since 2005 are in *Appendices 33 and 34* respectively; and
- whilst the Lands D had been making conscious gate-keeping efforts since at least late 2009 in vetting the relevant building plans and making sure that the facilities required under lease were provided, with hindsight the Lands D could have started the serious vetting earlier and on a provisional basis, pending finalization of the related lease modifications.

Subleasing of hospital premises

62. Hospital E was established on LG7 with a site area of 1 600 m<sup>2</sup>. In 1993, the grantee of Hospital E agreed with a third party charitable organization (Organization E) for the latter to take over the administration of Hospital E, which occupied a portion of the site (the hospital part). No rent was charged. The agreement was effective from 1 April 1993. In the same year, the grantee applied for the Government's consent to letting the hospital part of the site to Organisation E. Given that the DH had confirmed no objection to the granting of the waiver which was included in the lease of LG7, the Lands D considered and decided, after consulting its policy bureau, that submission to the ExCo was not warranted. Thus, it approved, at nil fee, a temporary waiver of the alienation restriction in February 1996 and two extensions of the waiver, with the last waiver expired in March 2005.

63. According to paragraphs 3.34 and 3.35 of the Audit Report, Audit considered the continued operation of Hospital E on LG7 by Organization E without a temporary waiver on an alienation restriction contained in the land lease and the continued subletting by Organization E of the hospital premises to medical centres were not allowed under the land lease. Up to July 2012, there had not been further progress on renewal of the temporary waiver. The Committee asked the Director of Lands about the latest situation on the matter.

64. The **Director of Lands** explained that:

- in processing the renewal of waiver for LG7, it was necessary to ascertain whether the waiver would be confined to the alienation involving Organization E or whether the operation of the seven medical centres on LG7 site would also constitute alienation which was restricted under the land lease. In this regard, up till late 2009, there were still residual doubts on whether one of the seven service agreements for the seven medical centres operating on LG7 site amounted to a sublease which was not allowed under the land lease;
- the grantee's solicitors were requested in November 2009 to provide further information, The further information clarifying the relationship between Organization E and the 7<sup>th</sup> medical centre and the use of the medical centre by the service consultants was provided to the Lands Department in September 2012. According to the legal advice

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obtained, the service agreement for the 7<sup>th</sup> medical centre did not construe as a sublease;

- in October 2012, the Lands D proposed a temporary waiver of the alienation restriction for a term of six years with retrospective effect from 1 April 2005; and
- upon receipt of the grantee's acceptance of the terms of the waiver in November 2012, the Lands D was preparing the waiver letter for issuance to the grantee within December 2012.

65. According to paragraph 3.38 of the Audit Report, Audit suggests that the Lands D and the DH should clarify if similar situations as in Hospital E also exist in other private hospitals that operate on PTG sites. The Committee asked whether, and if so, what appropriate follow-up actions had been taken.

66. The **Director of Health** informed the Committee in her reply dated 17 December 2012 to the Committee that the DH had reminded all private hospitals and grantees to observe their land lease conditions, including that all incomes generated from the operation of a third-party company in the hospital premises should be regarded as incomes of the hospitals and/or the grantees, and to seek the approval of the Lands D as required.

#### **D. Sale of land for private hospital development**

67. Hospital G is a profit-making private hospital which commenced operation in 1994 in District G. According to the first tender in 1981 for developing a hospital in District G, a site area of 1.922 hectares ("ha") was provided for erecting a hospital of "not less than 400 bed, but not more than 600 bed" together with other ancillary facilities and staff quarters. According to paragraph 4.5 of the Audit Report, as no bids were received, the then M&HD informed the then land authority in October 1981 that:

- providing 1.922 ha site for building a hospital of 200 to 400 beds was deemed appropriate; and
- it was acceptable to reduce the minimum number of beds from 400 to 200 with a possibility of phased development into 400 beds at some later date.

In late 1981, in the tender re-issued, the then land authority and the then M&HD reduced the minimum number of beds required to be provided by the hospital from 400 to 200. The Committee asked about the reason for reducing the minimum number of beds from 400 to 200 in the tender re-issued and why the site area for erecting a hospital was not correspondingly reduced.

68. The **Secretary for Food and Health** explained that the reason for reducing the minimum number of beds from 400 to 200 for erecting a hospital in District G was to allow flexibility for the tenderer to develop the site by phases.

69. The **Director of Health** supplemented that:

- as no bids were received in the first tender, the then Sha Tin District Officer, after exchanging views with the relevant stakeholders, conveyed to the then M&HD that if the minimum number of beds for erecting a hospital in District G could be reduced from 400 to 200, the chance of a successful tender would increase; and
- the provision of a site area of 1.922 ha for erecting a hospital in District G to provide a minimum of 400 beds was made in accordance with the then code of planning which provided that a standard of 50m<sup>2</sup> per bed should be adopted for hospitals.

70. The **Director of Lands** pointed out that the maximum number of 600 beds required to be provided by the hospital in District G remained unchanged in the tender re-issued. The reason for including a maximum number of 600 beds was that one interested party to the first tender indicated that they could provide 600 beds on the site.

71. The Committee noted from paragraph 4.10 of the Audit Report that Hospital F, a non-profit-making private hospital, was granted PTG sites (LG8 and LG9) of 0.79 ha for developing a hospital which provided not less than 300 beds. The Committee queried whether providing a site area of 1.922 ha for developing a 400-bed hospital was excessive.

72. The **Director of Lands** reiterated the views of the Director of Health that the provision of a site area of 1.922 ha for developing a 400-bed hospital was made in accordance with the then code of planning which provided that a standard of 50m<sup>2</sup> per bed should be adopted for hospitals.

73. The Committee noted from item (e) in Table 5 in paragraph 4.8 of the Audit Report that the operator of Hospital G ("Operator G") applied to the Lands D in August 2001 for a lease modification to allow the carving out of the "rezoned" portion and for a land exchange for the re-granting of a new residential lot. The Committee queried whether the Lands D should have approved such lease modification, as it appeared that Operator G had planned at the outset to use the whole or part of the hospital site for residential development. As stated in item (b) in Table 5 in paragraph 4.8 of the Audit Report, Operator G had applied to the Lands D for developing the whole site in 1986 and a portion of the site again in 1988 for residential development. Since 1994 (up to April 2000), Operator G applied repeatedly for changing part of the hospital site to residential use. Paragraph 4.11 of the Audit Report also stated that all hospital building and related facilities of Hospital G were provided on one side of the hospital site, taking up only 54% of the total site area.

74. The **Director of Lands** responded that:

- the reason why Operator G had applied to the Lands D for developing the whole site for residential purposes in 1986 and a portion of the site again in 1988 was because Operator G could not then find an operator to run the hospital and did not have enough financial resources to develop the hospital. The ExCo rejected Operator G's request to develop the whole site for residential purposes, as the hospital had yet to be constructed then and there was a need for developing a hospital in District G. As Operator G could eventually find enough financial resources to develop the hospital, Hospital G finally commenced Phase 1 operation in 1994;
- it was not fair to say that Operator G had planned at the outset to use the whole or part of the hospital site for residential development, merely on the basis that all hospital building and related facilities of Hospital G were provided on one side of the hospital site;
- Operator G had followed the due process by submitting a rezoning request to the Town Planning Board ("TPB") and had paid the premia



for lease modification and land exchange which were \$0.31 million and \$609.43 million respectively; and

- to avoid providing any leeway for private hospital developers to change the use of the hospital sites for other purposes, the Government had set out stringent requirements in the two more recent tenders of the two Government sites reserved for private hospital development.

75. The **Secretary for Food and Health** pointed out that it was the usual practice of hospitals to develop on one side of the sites, so as to allow flexibility for further development in future.

76. The Committee asked about the criteria for assessing the bids received for the tender for erecting a hospital in District G.

77. The **Director of Lands** responded that the bids received for the tender for erecting a hospital in District G were decided by the Central Tender Board on the principle that the tender should be awarded to the highest bidder. In submitting the bids, the bidders were required to provide proof that they had the financial resources to erect the hospital. There was however no requirement in the tender that the bidders had to have experience in operating a hospital.

78. On the question of whether there was a provision in the land lease of Hospital G whereby the Lands D could regain possession of the site or any part thereof which had been left undeveloped for a long stretch of time, the **Director of Lands** replied that if Operator G had met the lease requirements to build a hospital providing a minimum of 200 beds and up to a maximum of 600 beds, there was no ground for the Lands D to regain possession of the undeveloped eastern portion of the hospital site which was sold to Operator G.

79. The Committee noted from Appendix D and item (b) in Table 5 in paragraph 4.8 of the Audit Report that Operator G had applied to the TPB in December 1998 and again in November 1999 for changing part of the hospital site to residential use. The applications were rejected. The Committee asked why the TPB subsequently agreed to the rezoning request from Operator G in June 2000, despite the fact that the DH had reservation on the matter as set out in Appendix D to the Audit Report.

80. **Miss Ophelia WONG**, the **Deputy Director of Planning (District)**, responded at the public hearing and elaborated in her letter dated 19 December 2012 to the Committee (in *Appendix 35*) that:

- in considering the first application made under section 16 of the Town Planning Ordinance (Cap.131), the TPB noted that whilst the proposed residential development would assist in financing the capital costs of the future expansion of Hospital G, there was no sufficient justification to change the eastern portion of the undeveloped hospital site from "Government, Institution or Community" ("G/IC") and "Open Space" to residential development. The DH had no objection to the application. The DH was however of the view that the need of expansion would not be imminent unless there was a drastic change in policy over health financing in which patients would be forced to patronize private hospitals;
- in considering the second application (also made under section 16 of Cap. 131) in which Operator G proposed to expand the hospital by constructing three additional storeys above the existing hospital block to provide an additional 200 beds, the TPB noted that although the proposal was generally in line with the TPB Guidelines, there were neither unique circumstances nor strong reason to justify a departure from the planning intention. When commenting on the second application, the DH had reservation on Operator G's proposal to expand the hospital as there was no detailed data in the application in respect of the portion of the profit from the sale of flats that would be reserved for the operation costs and development of Hospital G;
- since there were local objections to the application to change the site from "G/IC" and "Open Space" to residential development, a majority of TPB members were of the view that should the proposed residential development be considered acceptable, it would be more appropriate to amend the Outline Zoning Plan so as to provide a statutory avenue for affected persons to lodge objections with the TPB. The TPB thus agreed, in rejecting the second application, to advise Operator G that should they consider that the undeveloped eastern portion of the hospital site was no longer required for hospital use, it would be more appropriate to request for a rezoning of the site for residential development;
- Operator G subsequently submitted a rezoning request to the TPB in May 2000 to change the "G/IC" and "Open Space" of the undeveloped

hospital site to residential development. The DH had no particular comments on the rezoning request, and reiterated its views given in April 2000 that the undeveloped land should be reserved for future development on hospital services in the long run as often seen in other hospital projects;

- in considering the rezoning request in June 2000, the TPB noted that:
  - (a) Operator G would expand Hospital G through the construction of three additional storeys over the existing hospital block;
  - (b) the undeveloped portion of the "G/IC" site was not required for the hospital expansion or for the provision of other types of "G/IC" facilities;
  - (c) the proposed residential development would not generate significant adverse environmental and traffic impacts and impose significant pressure on the existing and planned infrastructure in the area;
  - (d) the plot ratio of the proposed residential development was considered generally compatible with the adjacent residential developments;
  - (e) the proposed residential development and the expansion of the hospital would require a lease modification and there was no impediment to such proceedings under the land administration policy; and
  - (f) the rezoning would provide a proper avenue for the local residents to raise their objections;
- the TPB, after balancing all relevant factors in (e) above, agreed to the rezoning request on 30 June 2000. The amendment was later exhibited for public inspection under section 7 of Cap. 131 on 4 August 2000;
- during the exhibition period, a total of six objections were received against the rezoning of the site to residential development. When the objections were circulated for departmental comments, the Director of Health advised that her previous comments on the planning application were still valid;

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- the objection hearing was held in January 2001. After considering the presentations made by the objectors, the Objection Hearing Committee ("OHC") decided to revert the zoning of the site from "Residential (Group B)" to "G/IC" and "Open Space". The amendments were then notified under section 6(7) of Cap. 131;
- during the notification period, one further objection, submitted by Operator G, against the amendment to revert the zoning of the eastern position of the hospital site from "Residential (Group B)" to "G/IC" and "Open Space" was received. Another hearing to consider this further objection was conducted in June 2001; and
- in considering the further objection, the OHC noted the Director of Health's advice that the land should be reserved for further development of hospital services in the long run as often seen in other hospital projects. After hearing the presentations of objectors/further objector and balancing all relevant factors, the OHC decided to alter its previous decision by reversing the zoning of the site from "G/IC" and "Open Space" to "Residential (Group B)" taking into account the following:
  - (a) provision of hospital service in different regions was pursued by the HA in liaison with the Planning Department. According to the HA, the ratio of 5.5 beds per 1 000 persons quoted in the Hong Kong Planning Standards and Guidelines referred to a territory-wide requirement of beds that covered all types of beds both in the public and private sectors. The ratio did not reflect the requirement of hospital beds at the local district level. The HA's assessment showed that there would be a slight shortfall of about 250 general public hospital beds in the New Territories East region by 2006. The HA could not comment on the adequacy of private hospital beds as private hospitals were operated on commercial basis and their operation was totally dependent on market demand, and the HA had no plan to acquire new land in the New Territories East region to develop hospital facilities;
  - (b) given its remote location and poor accessibility, the OHC considered that the site was not suitable for social welfare facilities as advised by the SWD;
  - (c) Hospital G had already complied with the lease requirement for provision of hospital beds;

- (d) besides, Hospital G had proposed to increase the number of hospital beds from 212 to a total of 400; and
- (e) the proposed residential development was not incompatible with the adjacent residential developments and would not generate significant adverse environmental and traffic impacts.

Sections 6, 7 and 16 of the Town Planning Ordinance at the relevant time referred to in this paragraph are in *Appendix 36*.

81. The Committee asked whether the TPB, in approving the rezoning request, was aware of the fact that Operator G would have an advantage over other land developers in that Operator G only needed to pay the premia for lease modification and land exchange at \$0.31 million and \$609.43 million respectively, the total costs of which might be lower if the site in question was put up for public tender for residential development.

82. The **Deputy Director of Planning (District)** responded that some members of the TPB had asked about such possible eventuality when approving the rezoning request. She however pointed out that the TPB and the Lands D operated under two separate mechanisms. Hence, whether a rezoning request complied with the land policy was not a factor which the TPB would consider in determining whether a rezoning request should be approved.

83. The **Director of Lands** supplemented that after the site had been approved by the TPB for rezoning, the applicant had to apply to the Lands D for lease modification. She further said that not all sites which had obtained the approval of the TPB and the ExCo for rezoning would automatically be allowed to change the use of the site unless the applicant agreed to the terms of the lease modification and paid the land premium.

84. The Committee asked whether the timing of approving the rezoning request from Operator G coincided with the policy of the "85 000 flats".

85. The **Deputy Director of Planning (District)** responded that past records did not show that any reference was made by the TPB to the policy of the "85 000 flats" when considering the rezoning request from Operator G. She

however said that there was a shortage of private housing flats in Hong Kong at that time.

86. At the request of the Committee, the **Deputy Director of Planning (District)** provided the number of rezoning requests handled by the TPB from 1999 to 2002 for changing the sites to residential development in her letter dated 19 December 2012 to the Committee.

87. The Committee was of the view that the Administration needed to draw lessons from this land sale transaction, which had hindered the Government from making an optimal use of the site for the original purpose of hospital development. The Committee enquired about the actions which would be taken by the Administration to prevent owners of profit-making private hospitals from applying for rezoning to change the use of the hospital site for residential development.

88. The **Secretary for Development** responded that similar incidents should not happen again in future for the following reasons. First, the Administration would be more precise in determining the size of the hospital site and in assessing the demand for service expansion. Second, strict development controls, such as total gross floor area, maximum site coverage and height, would be stipulated in the land grants of Government sites for new private hospitals.

89. The **Secretary for Food and Health** supplemented that:

- in the tenders for new private hospital development, restrictions on land use primarily for hospital services had been and would be imposed. In other words, tenderers would not be allowed to change the use of the land; and
- as land was scarce and precious in Hong Kong, the FHB and the DH would endeavour to ensure that the site sold for private hospital development would be used for its intended purposes.

## **E. Conclusions and recommendations**

90. The Committee:

<b>Overall comments</b>
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### On direct land grants

- notes that it has been a public policy that non-profit-making private hospitals would be granted lands at nil or nominal premium in return for their agreement (i) to provide free or low-charge beds and (ii) to plough back profits or any surplus from hospital operation to improve and expand their facilities ("the Two Salient Requirements");
- expresses grave dismay and finds it inexcusable that:
  - (a) the sacrifice made from the public coffers has failed to produce benefits for Hong Kong people in the ways they have been intended by the Two Salient Requirements;
  - (b) such failure has been due to no other reason but the laxity and dilatoriness with which the Administration has gone about implementing the Two Salient Requirements since their pronouncement by the Executive Council ("ExCo") in 1957 and elaborated specifications in 1981; and
  - (c) such laxity and dilatoriness were manifested by, inter alia, the following:
    - (i) omissions to include the Two Salient Requirements in land grants made to private hospitals;
    - (ii) failure to rectify such omissions when there were opportunities to do so;
    - (iii) non-existence of a set of practical and practicable rules for private hospitals to follow in the implementation of the Two Salient Requirements;
    - (iv) no, or no effective, effort was made to establish any, or any real, surveillance system so that compliance by private

hospitals of the Two Salient Requirements could be properly and accurately monitored and policed; and

- (v) no, or no effective, co-ordination amongst relevant government departments to make sure that matters in need of follow-up would be attended to timely and with efficiency;
- acknowledges the Administration's agreement that the present situation is unsatisfactory and needs an immediate review and rectification;
- welcomes the promises and undertakings made by the Secretary for Food and Health, the Director of Health and the Director of Lands for rectification of such defects and deficiencies identified in this Report and expects to see improvements before long;

#### On land sale

- expresses grave dismay and finds it inexcusable that there had been an over-provision of land in District G for development of Hospital G. Such over-provision resulted not only in the surplus land having been left idle for years, but also gave the owner an unfair and unjustified advantage over other developers when there were subsequent negotiations with the Administration rezoning the land for residential development at a premium to be paid;
- notes the assurance given by the Secretary for Development that the Administration has learnt from the mistake. In recent and all future sale of land for development of new private hospitals, not only will there be a strict prohibition of change of use, the hospital developments will also be subject to stringent planning parameters including height restrictions, plot ratios and site coverage;
- acknowledges such assurances and urges the Administration to see to their implementation;



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<b>Specific comments</b>
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Special land grant conditions set on private hospitals

- expresses grave dismay and finds it inexcusable that:
  - (a) although the Two Salient Requirements were directed as from 1957, and further elaborated in 1981, by the ExCo to be included in future direct land grants to non-profit-making private hospitals, the Audit Commission ("Audit") found that they had not always been strictly and consistently applied. As a result, the Government's intention of foregoing the land premium, so that the lower investment cost of the private hospitals could benefit a wider section of the public could not be fully realized. As shown in Table 2 in paragraph 2.10 of the Audit Report:
    - (i) the "free or low-charge beds" requirement was not included in some of the direct land grants (such as LG2 for Hospital B and LG3 for Hospital C); and
    - (ii) similarly, the "profits/surplus plough-back" requirement was not included in some of the direct land grants (such as LG3 for Hospital C);
  - (b) the Administration could not trace the reasons why the Two Salient Requirements had been omitted in some of the direct land grants made to private hospitals; and
  - (c) notwithstanding that there were a few opportunities for including the Two Salient Requirements in some of the direct land grants first made in early years, the Department of Health ("DH") and the Lands Department ("Lands D") had failed to take these opportunities to rectify the omission. Cases in point were the failure of the DH and the Lands D to incorporate the Two Salient Requirements in LG3 to Hospital C and LG7 to Hospital E when dealing with the lease extension of these two private treaty grants ("PTGs") for another 50 years to expire by June 2047;

- urges the DH and the Lands D:
  - (a) to delineate clearly their responsibilities for the inclusion or continuance of the Two Salient Requirements in the terms of the PTGs made to non-profit-making private hospitals to ensure that essential requirements are always included in the lease terms in future; and
  - (b) to take the opportunity to include the Two Salient Requirements in the land grants made to non-profit-making private hospitals when the grantee applies for lease renewal, lot extension or lease modification to cope with any hospital expansion or redevelopment;
- acknowledges that the DH has undertaken:
  - (a) to tighten up the monitoring of private hospitals' compliance with land grant conditions pertaining to the provision of healthcare services, including the adoption of a proper checklist for compliance checking, and will work with the Lands D closely in the enforcement of land grant conditions on private hospitals; and
  - (b) to explore with the grantees of those private hospitals which did not include the "free or low-charge beds" requirement in their land grants on the feasibility of providing free or low-charge beds in the hospitals;
- expresses grave dismay and finds it inexcusable that:
  - (a) even with a more recent lease modification and land exchange effected in June 2010 of LG8 to Hospital F, the "free or low-charge beds" requirement was not well defined as the grantee was only required to provide free or low-charge beds and services "as when required by the Director of Health to his satisfaction". Without defining more clearly the Government's expected requirements, the condition had left much leeway for the hospital to assign and use the beds at its sole discretion and in whatever way it deems appropriate. Furthermore, the DH had not worked out with Hospital F on how the "free or low-charge beds" requirement was to be met and how the Government would monitor its effective implementation; and

*Land grants for private hospital development*

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- (b) although the exclusion of the "20% low-charge beds" requirement from the land grant to Hospital F was a conscious decision made by the Food and Health Bureau ("FHB") in 2009, ExCo's approval had not been sought for the deviation from the requirement;
- does not accept the explanations given by the Secretary for Food and Health for excluding the "20% low-charge beds" requirement from LG8 to Hospital F: (i) in order to allow flexibility for the FHB to revise the land grant conditions once the land policy on future disposal of Government lands for new private hospital development was finalised; and (ii) because there were practical difficulties in enforcing the "low-charge beds" requirement;
  - acknowledges that the Secretary for Food and Health has undertaken to seek legal advice via the Lands D on the legality of imposing new conditions on Hospital F, such as the provision of standard beds at packaged charges, through the use of the "Compliance with prevailing policies" condition available in the land lease;
  - notes that:
    - (a) in January 2011, the Government formulated a new policy on future disposal of Government lands for new private hospital development. This included, inter alia, the decision that the Government would endeavour to replace the special condition for provision of low-charge beds included in land leases of existing non-profit-making private hospitals by the requirement of providing standard beds at packaged charges. According to the Administration, the provision of packaged charging would help enhance price transparency and provide incentive for patients to use private hospital services;
    - (b) with the new private hospitals to be developed on the two reserved sites under the two tender exercises in April 2012, the sponsoring department will enter into service deeds with the successful tenderers. Such service deeds will supplement the land leases and will incorporate the successful tenderers' proposals for the operation of the private hospitals, which will help the Government enforce the service-related requirements to be complied with by the tenderers; and

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- (c) the Secretary for Food and Health, the Director of Health and the Director of Lands have agreed with the audit recommendations in paragraph 5.10(a) to (c) of the Audit Report;
- supports the DH's suggestion that the Government should develop a protocol to facilitate coordinated action among bureaux and departments ("B/Ds") in drafting, approving and enforcing PTGs, so as to ensure that policy decisions made by ExCo will be followed through, and urges the Secretary for Development to take the lead in overseeing the development of such a protocol and disseminating the protocol among B/Ds for compliance;

Monitoring and enforcement of land grant conditions

*Provision of "free or low-charge" beds*

- expresses astonishment and finds it inexcusable that there were serious inadequacies in the DH's compliance programme in monitoring the private hospitals' compliance with the land grant conditions. In particular, the DH had not maintained a proper checklist for compliance checking. Such inadequacies included the following:

*Provision of free beds in Hospital D on LG5*

- (a) the DH did not make any enquiry until April 2012 with Hospital D and the Lands D on the provision of the 20 free beds which had been imposed as a land grant condition since the 1960s. The utilization of the free beds ranged from 17% to 24% for 2007 to 2011, when the utilization of the other beds ranged from 98% to 113%. Besides, the free beds were provided at different hospital blocks and Hospital D had not designated any particular ward or bed class for such beds;

*Provision of not less than 20% low-charge beds in Hospital D on LG6*

- (b) although Hospital D should have provided not less than 20% low-charge beds on LG6 since late 2002 after commencement of operation of the hospital block on the site, it only started to work on meeting the requirement in 2008. The low-charge beds had very low utilization rates (1% in 2008 and ranging from 23% to 45% during 2009 to 2011). Despite the low utilization rates, the DH had not taken any effective measures to optimize the use of these

beds, including consulting the Hospital Authority which is always known to be facing an acute shortage of hospital beds; and

*Provision of low-charge beds in Hospital F on LG8*

- (c) although Hospital F was required to provide "free or low-charge beds and services" on LG8, the DH had not worked out with the hospital on how such requirement was to be met. It was only in November 2011 that Hospital F started to report that it had provided 33 low-charge beds in its Surgical Unit and Medical Unit. No information was however provided on their utilization. Besides, the DH had not verified the availability of low-charge beds in its annual and ad-hoc inspections to the hospital;
- notes that the DH has drawn up a checklist to facilitate the checking of compliance with land grant conditions, and the monitoring of compliance will be conducted alongside the processing of annual re-registration of private hospitals;
- acknowledges that the DH has undertaken:
  - (a) to monitor the private hospitals' compliance with land grant conditions relating to hospital services, in particular the provision of free or low-charge beds, and submission of accounts/information on bed utilization, and will make appropriate referral to the Lands D if any breach is identified;
  - (b) to require Hospital D to devise a scheme for providing free beds on LG5 site and to implement the scheme in the first half of 2013;
  - (c) to discuss with Hospital D on ways to optimize the use of low-charge beds on LG6 site;
  - (d) to specify the requirements for the provision of low-charge beds and services in the case of LG8 to Hospital F; and
  - (e) to seek legal advice on the requirements for the provision of free beds, including whether this means that patients on free beds should be waived from paying all medical fees and charges incurred in the hospital;

*Profits/surplus plough-back requirement*

- expresses grave dismay and finds it inexcusable that:
  - (a) the "profits/surplus plough-back" requirement included in four direct land grants to four private hospitals was also not effectively enforced. Although the four private hospitals had achieved surplus from their hospital operations in recent years, the DH had not timely adjusted its mode and degree of monitoring, and had not effectively monitored the hospitals/grantees' financial affairs to ensure their compliance with the requirement. In particular, based on the hospitals' audited accounts for recent two years submitted to the DH, significant licence fees/donations had been paid by a few of the hospitals to the grantees, parent and/or related organizations as shown below:
    - (i) Hospital D had paid hospital premises licence fees of \$303 million in 2009 and 2010 to the grantee. The licence fees represented 22.7% of the hospital's surplus for the two years;
    - (ii) in the same two years, Hospital D had also made donations of \$180 million to the grantee, representing 13.5% of the hospital's surplus for the two years; and
    - (iii) Hospital F had paid donations of \$22.8 million to a related organization of the grantee in 2009 and 2010. The donations represented 12.8% of the hospital's surplus for the two years;
  - (b) given that the above licence fees and donations paid/made to related parties, classified as related party transactions in the hospitals' accounts, will reduce the hospitals' profits/surplus available for hospital expansion or redevelopment, the DH had not made enquiry with the Lands D as to whether they were appropriate until March 2012. There were complications in that some of the hospitals might be operating on both PTG sites as well as self-purchased land and not all PTGs contained the "profits/surplus plough-back" requirement. There were further complications in that, except for LG3 and LG4 (with Hospital C as the grantee), the grantees for the other PTGs were not the hospitals themselves, but the hospitals' parent or related organizations;

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- (c) some hospital-related services (very often, in the form of specialist medical centres) were provided within the hospital premises on PTG sites by related companies of the grantees and/or hospitals. Given that such related companies were profit-making and maintained separate accounts from that of the grantees/hospitals, these might constitute subletting and profit-sharing arrangements by the grantees/hospitals with third parties, both of which might not be allowed under the land grant conditions;
- (d) notwithstanding that most of the land grant conditions had been effective for many years, the DH had neither taken action to clarify with the FHB/Lands D on the reasonableness/propriety of the related party transactions reported in the hospitals' accounts nor requested the grantees to submit audited statements to satisfy that surplus they derived from the hospitals' operations on the PTG sites had been properly ploughed back for hospital improvement or extension in compliance with the land grant conditions. The DH had only made enquiries with the grantees/hospitals in March and August 2012 on the various related party transactions reported in the hospitals' statements of accounts;
- (e) as some of the private hospitals on PTG sites are not operated by the grantees, but by related organizations with separate legal entities, the risk of reducing the hospitals' surplus available for ploughing back for the hospitals' use through licence fees/donations paid to grantees could have been avoided if the DH had monitored effectively the hospitals/grantees' financial affairs to ensure their compliance with the "profits/surplus plough-back" requirement; and
- (f) although the DH introduced in December 2010 a new measure by requesting private hospitals to submit auditors' certification confirming that the hospitals had complied with all the financial-related requirements in the land grant conditions, it had not defined in its requests to the private hospitals the specific financial-related requirements which individual hospitals needed to comply with;

- acknowledges that the DH:
  - (a) had in September 2012 requested Hospital B, Hospital C, Hospital D and Hospital F to provide auditors' certification for the year ended 31 December 2011 of compliance with the "profits/surplus plough-back" requirement as stipulated in the land grant conditions; and
  - (b) has undertaken to:
    - (i) request the grantee to provide information on all its income and expenditures related to the operation of the hospital and to confirm whether the surplus, if any, is ploughed back to the improvement and extension of the hospital as required by the land grant conditions, in cases where the grantees are not the hospitals themselves but the hospitals' parent or related organizations;
    - (ii) follow up with the Lands D on rectifying the subleasing of the land lots on PTG to hospital operators who are not the grantees; and
    - (iii) seek the advice of the Lands D on the handling of profits/surplus distribution of hospitals occupying more than one land lots with various profits/surplus plough-back requirements (Hospital C operates on LG3 and LG4 sites and the "profits/surplus plough-back" requirement is included only in LG4. Hospital D operates on LG5 and LG6 sites and a self-purchased land and the "profits/surplus plough-back" requirement is included only in LG6);
- urges the DH to:
  - (a) review the appropriateness of allowing the grantees to transfer the administration of the hospitals to different organizations;
  - (b) define what permissible activities the non-profit-making grantees/hospitals are allowed to conduct and what non-permissible activities disallowed in respect of profits derived from the hospital operations on PTG sites and similarly, what profit-sharing arrangements they can make with related and third parties;



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- (c) step up the monitoring of the requirement for grantees/hospitals to retain and reinvest their profits/surplus in the hospital operations, as set out in the land grants; and
  - (d) resolve the issues expeditiously, even though due to the complexity of the issues involved, some of the follow-up actions, for instance, with regard to the rectification of irregularities concerning profit plough-back, might take two to three years to complete;
- welcomes that it is now the stance of the FHB and the DH that grantees would in future not be allowed to transfer the administration of whole or part of the hospitals to different organizations, unless the services involved are not medically-related services, such as security and catering, and that prior approval from the DH must be obtained;
  - expresses grave concern about whether the sub-licences entered by Hospital D with third parties for use of certain areas of the hospital premises on PTG sites for the provision of hospital-related services are permissible for the PTG sites under the existing land grant conditions;
  - notes that the DH had reminded all private hospitals and grantees to observe their land lease conditions, including that all incomes generated from the operation of a third-party company in the hospital premises are regarded as incomes of the hospitals and/or the grantees, and to seek the approval of the Lands D as required;

*Site development not strictly in accordance with land grant conditions*

- expresses grave dismay and finds it inexcusable that LG4 granted to Hospital C for operating a non-profit-making medical, health and welfare centre, which would provide a "social centre for the elderly" and a day hospital "with ... rehabilitation facilities", was not developed strictly in accordance with the land grant conditions. The site was eventually used by Hospital C as a hospital block providing in-patient hospital services. Audit found that the "social centre for the elderly" and the day hospital "with ... rehabilitation facilities" were not available on the PTG site. There were various inadequacies in the way the Administration handled and monitored the land grant to Hospital C, including the following:
  - (a) because the site was not granted to Hospital C for operating in-patient hospital services, the land grant contained neither the

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minimum number of hospitals beds that should have been provided on the site nor the requirement to provide not less than 20% low-charge beds;

- (b) in 2006, Hospital C proceeded to redevelop the premises on the PTG site. The land grant condition provided that the design and disposition of any building to be erected on the lot should be subject to the Lands D's approval. However, although the hospital block on the site had commenced operation since April 2008, none of the hospital building plans (with the first plan submitted as early as November 2007) had been approved by the Lands D for compliance with the land grant conditions; and
  - (c) the DH and the Social Welfare Department ("SWD"), as the sponsoring departments for the PTG, should also have approved the hospital's compliance with the land grant conditions for the building plans and for the construction of the medical, health and welfare centre in accordance with the plans. However, the two departments had so far not raised any objections, notwithstanding the fact that there was neither any "social centre for the elderly" nor any day hospital " with ... rehabilitation facilities" in the hospital block on LG4. Audit has found that the SWD was not consulted on the building plans until February 2012 and the DH had so far not raised any objections on the building plans or on the usage of the site either to the Buildings Department or to the Lands D;
- notes that:
- (a) the DH has undertaken to consult the Lands D on the land lease conditions of LG4 and will request Hospital C to take remedial measures where appropriate;
  - (b) the Director of Lands admitted that with hindsight, the Lands D could have started the serious vetting of the building plans earlier and on a provisional basis, pending finalization of the related lease modifications. Having regard to the recent discussions amongst the grantee and the departments concerned, the relevant building plans and the reinstatement exercise is expected to be finalized in good time;

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- (c) the SWD is prepared to collaborate with the Lands D and the DH to follow up on the provision of the "social centre for the elderly" on LG4; and
- (d) according to the grantee of LG4, a social centre for the elderly and a day hospital with rehabilitative facilities will be reinstated at LG4 by the end of 2013, pending completion of the relevant construction work;

*Subleasing of hospital premises*

- expresses grave dismay and finds it inexcusable that in the case of Hospital E in operation on LG7, the continued operation of Hospital E on LG7 by Organization E (which is not the grantee) and its subletting of the hospital premises to medical centres operated by third parties, after the lapse of the Government waiver in March 2005, were in breach of the alienation restriction in the land lease and need to be rectified as early as possible;
- notes that the Lands D had issued a waiver to the grantee of Hospital E in December 2012, after the Lands D had clarified with Organization E that the service agreement between Organization E and one of the seven medical centres operating on the hospital premises does not construe as a sublease;
- urges the Lands D and the DH to take actions to clarify if similar situations as Hospital E also exist in other private hospitals and take appropriate follow-up include the following issues mentioned in paragraph 3.38 of the Audit Report:
  - (a) whether the provision of such medical centres on PTG sites would constitute subletting which is generally disallowed under the land grant conditions;
  - (b) such medical centres might have been operated by profit-making related companies. As in the case of Hospital D, such profit-sharing arrangements again might not be allowed under the land grant conditions; and
  - (c) whether the hospital management is responsible for the hospital-related services provided by such medical centres, and

whether patients may misunderstand that the centre services are provided by the hospitals;

- acknowledges that:
  - (a) the Lands D will follow up on the outstanding issues under the leases granted and take lease enforcement action, where necessary, to support the DH in ensuring compliance with the land lease conditions concerning services-related requirements, such as the submission of accounts requirements, the non-distribution of profits and the enforcement of the alienation restrictions; and
  - (b) the Secretary for Food and Health, the Director of Health and the Director of Lands have agreed with the audit recommendations in paragraph 5.10(d) to (i) of the Audit Report;

Sale of land for private hospital development

- expresses grave dismay and finds it inexcusable that:
  - (a) the hospital site of 1.922 hectares in District G for developing a hospital of not less than 200 beds, sold in 1982, might have been excessive. As it transpired, only 54% of the site area was used to operate Hospital G (with 410 beds) whereas 46% had remained undeveloped for some 20 years before it was approved to be used for private residential development. The subsequent change in use of such a sizeable portion of the hospital site for private residential development has departed from the original intended use;
  - (b) setting a requirement in the land lease to provide 200 beds at the minimum and 600 beds at the maximum was too broad a range to determine the optimum size of the site area;
  - (c) the provision of 1.922 hectares for building a hospital of "not less than 200 beds, but not more than 600 beds" seemed to have been worked out based on an arbitrary basis without appropriate development parameters, such as minimum gross floor area and height limits included in the land lease, to regulate the land use;
  - (d) notwithstanding that the site was planned and sold for building hospital facilities that could support a hospital with 600 beds, the

*Land grants for private hospital development*

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land lease had not imposed a contractual obligation on the purchaser to provide more than 200 beds;

- (e) during the 20 years after the hospital site was sold in 1982, the purchaser had applied repeatedly for changing the whole or part of the hospital site for residential use;
  - (f) given that land in Hong Kong is scarce and precious, the sale of an oversized site for private hospital development should have been avoided. The Government needs to draw lessons from this land sale transaction, particularly as the Government has reserved four sites for private hospital development, two of which had been put out for open tender in April 2012;
  - (g) in considering the lease modification application to carve out the rezoned portion for residential development in March 2002, the Director of Health had not revisited the need for retaining the "rezoned" portion of the site for future hospital development, but simply informed the Lands D that it had no particular comment on the application; and
  - (h) although due process appeared to have been followed in changing the land use of a sizable portion of the hospital site for private residential development in 2004, yet due to insufficient land space, the prevailing shortfall of hospital beds in District G and the possible expansion of Hospital G remained unaddressed;
- notes the views given by the Secretary for Food and Health and the Director of Lands that the Government should have been more precise in determining the size of the hospital site and in assessing the demand for service expansion;
  - notes the view given by the Director of Health in paragraph 5.14(k) of the Audit Report that guidance notes should be provided for B/Ds to assist the latter in considering applications for change of land use and relevant lease modifications, and urge the Director of Lands to provide such protocol for B/Ds' reference;
  - notes that the Secretary for Food and Health, the Director of Health and the Director of Lands have agreed with the audit recommendations in paragraph 5.11 of the Audit Report and will draw lessons from this land sale transaction and will take actions to prevent recurrence;

- acknowledges the assurance given by the Secretary for Development and the Secretary for Food and Health that this land sale transaction should not happen again for the following reasons. First, the Administration will be more precise in determining the size of the hospital site and in assessing the demand for service expansion. Second, strict development controls, such as land must be used primarily for hospital services, total gross floor area, maximum site coverage and height, will be stipulated in the land grants of Government sites for new private hospitals;

<b>Way forward</b>
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- notes that:
  - (a) in January 2011, the Government approved the adoption of a set of minimum requirements for new private hospitals to be developed on new government sites. These minimum requirements covered aspects such as land use, date of commencement of operation, bed capacity, service scope, packaged charge and price transparency, service target, service standard, and reporting; and
  - (b) the Secretary for Food and Health, the Director of Health and the Director of Lands have agreed with the audit recommendations in paragraphs 5.10(j) and 5.12 of the Audit Report; and

<b>Follow-up action</b>
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- wishes to be kept informed of the progress made in implementing the various audit recommendations, and the effectiveness of the enhanced systems and procedures for coordinating, monitoring and regulating direct land grants made to non-profit-making private hospitals.

The Audit Commission ("Audit") conducted a review of the Government's financial support to film industry.

2. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses to its enquiries.

3. Regarding the funding of film production projects under the Film Development Fund ("FDF"), the Committee considered that the principle(s) and objective(s) of the FDF should be made clear, and how well a proposed film could recover the contributions from the FDF should not be one of the considerations in deciding whether or not a funding application under the FDF should be approved.

4. In his letter of 12 December 2012 (in *Appendix 37*), the **Secretary for Commerce and Economic Development** replied that:

- the FDF was intended to assist the film industry in revitalizing and developing further, rather than deriving financial return from the funding support given to the industry. Hence, how well a proposed film could recover the contributions from the FDF had not been one of the eligibility nor assessment parameters;
- as an ongoing process of improving the operation of the FDF, some revisions to the eligibility criteria would be introduced early next year covering the following:
  - (a) reasonableness of the production budget;
  - (b) marketability of the film (i.e. commercial viability);
  - (c) creativity of the film; and
  - (d) local production elements of the film;
- the aforementioned criteria would be promulgated to the film industry and specified clearly in the relevant guide and documents concerned; and

- an overall review of the FDF would be conducted in 2013 to consider the way forward, including the need for further funding injection. The review would cover the question of recovery of the Government contribution.

5. The Committee noted from paragraph 3.2(e) of the Director of Audit's Report that one of the major requirements for FDF funding was that the project was shown to be commercially viable. A project was regarded as commercially viable if the applicant had secured third-party financing to the satisfaction of the Government. The Committee considered that there was a need for the Administration to review the existing practice of using the applicant's ability to secure third-party financing as a measure of the commercial viability of a film.

6. The **Secretary for Commerce and Economic Development** replied in the same letter that in conducting the review on the use of the FDF, the Administration would consider the existing practice of using an applicant's ability to secure third-party financing as a measure of the commercial viability of a film. The Film Development Council and stakeholders would also be consulted.

7. On the suggestion of establishing a separate fund to finance film promotion and distribution expenses, the **Secretary for Commerce and Economic Development** stated in his letter that the Administration agreed with the recommendation of the Director of Audit that a strategic review be conducted on the use of the FDF. The Administration would take into account the views on the financing of film promotion and distribution expenses in the future review.

8. The Committee notes the above replies of the Secretary for Commerce and Economic Development and wishes to be kept informed of the progress of the review of the FDF to be conducted in 2013.



## **A. Introduction**

The Audit Commission ("Audit") conducted a review to examine the management of public enquiries and complaints by the Food and Environmental Hygiene Department ("FEHD").

2. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses to its enquiries.

## **B. Receiving and recording enquiries and complaints and management of long-outstanding cases**

3. According to paragraph 2.18 of the Director of Audit's Report ("Audit Report"), the FEHD had required that all the public's service requests and complaints, anonymous or named, written or verbal, should be accurately and consistently recorded in the Complaints Management Information System ("CMIS"). To better understand how the FEHD operated the CMIS, the Committee enquired about the following:

- whether progress had been made by the FEHD in reviewing the criteria and practice for classifying cases into service requests and complaints, and if so, what progress had been made;
- whether the pledged time frame for replying to service requests and complaints would be revised and whether the revised pledged time frame would be tightened or relaxed;
- what effective measure(s), apart from reminding staff, would be implemented by the FEHD to ensure data accuracy of the computerized CMIS; and
- what measure(s) had been or would be taken by the FEHD to ensure that monthly reports of outstanding cases were followed up by operational units before the full implementation of the new CMIS in September 2014.

*Management of public enquiries and complaints by  
the Food and Environmental Hygiene Department*

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4. The **Director of Food and Environmental Hygiene** replied in his letter of 27 December 2012 (in *Appendix 38*) that:

- taking into account the Director of Audit's observations and after consultation with the Efficiency Unit, the FEHD had decided to adopt the same practice as the Efficiency Unit and other government departments that it would no longer differentiate cases into complaints and service requests. All complaints and service requests would be classified as complaints and dealt with according to the FEHD Administrative Circular on Handling of Complaints ("the Administrative Circular");
- according to the time frames set out in General Circular No. 6/2009, bureaux/departments should acknowledge receipt of a complaint within 10 calendar days and strive to provide a substantive reply within 30 calendar days after receipt of a complaint. For complicated cases requiring longer processing time, the complainant should be kept informed of the progress of the case. The FEHD had now aligned its internal and pledged time frames set out in General Circular No. 6/2009 as follows:
  - (a) an interim reply would be given within 10 calendar days upon receipt of the complaint. In case a substantive reply could not be made within 30 calendar days upon receipt of the complaint, the complainant would be updated on the progress; and
  - (b) the revised pledged time frames had been implemented since 12 November 2012 and promulgated in the department's website and publicity materials displayed in FEHD offices with interface with the public;
- apart from reminding staff that details of all complaints should be accurately and promptly recorded in the CMIS upon receipt of the complaint, and that the date of the replies given to complainants should be input into the CMIS immediately to reflect the latest position of the cases in the system, as set out in the Administrative Circular:
  - (a) supervisors were also required by the circular to conduct sample checks to ensure that complaint cases were handled appropriately and properly recorded in the CMIS;

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- (b) an email alert had been newly implemented in the existing CMIS to remind Case Officers and their supervisors of the dates to issue interim reply or substantive reply on outstanding cases; and
  - (c) a weekly summary report would be sent to each supervisor of Case Officers, drawing his attention to the outstanding cases of respective Case Officers under his command. In so doing, supervisors could easily spot outstanding items and anomalies, if any, and take follow-up actions; and
- the FEHD had been providing its directorate officers and heads of districts/sections with monthly reports on overdue cases for monitoring of the case progress. In order to ensure that monthly reports of overdue cases were followed up properly by operational units, the FEHD:
- (a) had put long overdue cases and repeated complaints as standing agenda items for discussion at management meetings at the headquarters and district level; and
  - (b) had reminded its heads of districts/sections at regular intervals:
    - (i) to oversee the progress of cases undertaken by their staff; (ii) make good use of the monthly ageing analysis of overdue cases for monitoring purpose; (iii) look into the reasons for any long periods of inaction during investigation of the cases; and (iv) provide guidance/assistance to their subordinates as necessary with a view to concluding the cases as soon as possible. These requirements had also been incorporated in the Administrative Circular of the FEHD.

### **C. Manpower to cope with the increased workload**

5. According to paragraph 4.21 of the Audit Report, the FEHD had looked into the reasons for long periods of inaction for some water-seepage cases and found that they were mainly due to shortage of staff and frequent turnover of Environmental Nuisance Investigators ("ENIs") who were non-civil service contract staff. To enhance efficiency in the investigation process, the FEHD had carried out a number of improvement measures, including the provision of additional staff to cope with the increased workload. In this connection, the Committee asked whether the FEHD's increase in manpower to cope with the increased workload in carrying

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out its investigation of water-seepage cases had improved efficiency and the related details.

6. In his letter dated 27 December 2012, the **Director of Food and Environmental Hygiene** replied that the FEHD's increase/reinforcement in manpower to cope with the increased workload in carrying out its investigation of water-seepage cases had improved efficiency. The increase/reinforcement in manpower since mid-2011 included:

- in mid 2011, FEHD deployed 81 Health Inspectors I/II ("HI I/II"), who were civil servants, to replace in two batches some non-civil service contract ENIs for investigation of water seepage cases with a view to reinforcing the knowledge base of the staff and providing better continuity in the Joint Office's work. After the replacement, there were 85 ENIs in the Joint Office;
- to further enhance efficiency of the work and to cope with the increased caseload, a total of 38 additional ENI positions were created in two batches in late 2011 for the Joint Office;
- to further enhance workforce stability, nine time-limited HI I/II posts had been created to replace the same number of ENIs since August 2012, and another eight time-limited HI I/II posts would be created for the same purpose in early 2013. These time-limited posts would last up to end March 2014; and
- to strengthen supervisory support for the Joint Office, six time-limited Senior Health Inspector ("SHI") posts were created in April 2011 for one year and had been extended for two more years up to end March 2014. In addition, three more time-limited SHI posts had been created in July 2012, making a total of nine time-limited SHI posts up to end March 2014.

7. The **Director of Food and Environmental Hygiene** also mentioned in his letter that the above increase/reinforcement in manpower had enabled the FEHD to make dedicated efforts to reduce overdue cases. There had been a significant decrease in the number of overdue water-seepage cases by 43% from June 2011 to November 2012. The FEHD would continue to closely monitor caseload and review manpower resources.

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8. According to paragraph 5.25 of the Audit Report, the Director of Food and Environmental Hygiene had said that various means would be considered to solicit feedback on the FEHD's complaint handling system with a view to improving the system and services. The Committee enquired what these various means were and whether the FEHD would conduct customer satisfaction surveys on its complaint handling system.

9. In his letter dated 27 December 2012, the **Director of Food and Environmental Hygiene** replied that:

- various means of collecting feedback from the enquirers and complainants had been considered. They included focus groups, face to face interviews, self-administered questionnaires (either on paper or via electronic means) and telephone surveys. Having assessed the pros and cons of these methods, the FEHD considered that telephone surveys should be the most suitable means to solicit customer feedback in terms of ease of access (phone numbers of the target respondents were mostly available), flexibility (interviewer could explore options with respondents), and cost (lower than face-to-face interviews though higher than self-administered surveys); and
- the FEHD planned to conduct customer satisfaction surveys to solicit feedback on its complaint handling system after the full implementation of the new CMIS.

10. According to paragraph 6.13(a) of the Audit Report, the Director of Food and Environmental Hygiene agreed that, with the 1823 Call Centre being a major source of the FEHD's complaint cases, the FEHD would work closely with the Efficiency Unit for better integration between the systems of the Call Centre and the new CMIS. The Committee enquired whether progress had been made by the FEHD in this regard, and if so, what progress had been made.

11. The **Director of Food and Environmental Hygiene** stated in his letter that the FEHD had discussed with the 1823 Call Centre regarding the integration of the 1823 system with the new CMIS, including the transfer of case information between the two systems. The system contractor of the new CMIS had been working on the details of user requirements regarding the integration which would be sent to the

1823 Call Centre for follow-up. The FEHD would continue to liaise with the 1823 Call Centre regarding the integration.

#### **D. Conclusions and recommendations**

12. The Committee notes the above replies of the Director of Food and Environmental Hygiene and wishes to be kept informed of the progress made in implementing the various improvement measures arising from the Audit recommendations.

## **A. Introduction**

The Audit Commission ("Audit") conducted a review of the provision of local services by the Marine Department ("MD") such as managing public cargo working areas ("PCWAs") and private moorings, and conducting marine accident investigations that occurred within Hong Kong waters.

2. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses to its enquiries.

## **B. Managing public cargo working areas**

3. The Committee noted from paragraph 2.33 of the Director of Audit's Report ("Audit Report") that the use of automated vehicle entry/exit control systems in the four PCWAs had proved to be cost-effective in achieving a saving of four staff in each PCWA. The Committee enquired whether there were any difficulties for the MD not to replace such unserviceable systems for Tuen Mun and Rambler Channel PCWAs since 2008.

4. In his letter of 30 November 2012 (in *Appendix 39*), the **Director of Marine** replied that the software operating system and the spare parts of the computer hardware for the automated vehicle entry/exit control systems were no longer available for replacement. In this connection, the MD had been exploring with the Electrical and Mechanical Services Department on the feasibility of introducing a new system at the two PCWAs, including the use of the Octopus card system, which was already in use in some other PCWAs.

5. In view of the decreasing trend in the actual rate of return of PCWAs since 2005-2006 as revealed in Figure 1 in paragraph 2.39 of the Audit Report, the Committee enquired why the MD did not conduct more frequent reviews of the financial performance of PCWAs.

6. The **Director of Marine** explained that it had been the practice of the MD to carry out reviews of the financial performance of the PCWAs at three-year intervals to tie in with the tendering of PCWA berths for a new Berth Licence Agreement ("BLA") term. With the 2011-2016 BLAs running for five years for all

PCWAs, the MD agreed with the Audit recommendation that more frequent reviews should be conducted. The MD was presently conducting an interim review of the 2012-2013 financial performance of the PCWAs for completion in March 2013.

7. According to paragraph 2.16 of the Audit Report, the information on vacant berths available for letting was presently only disseminated to interested operators through the MD's quarterly meetings with the trade representatives. The Committee enquired whether there were any difficulties for the MD not to also publicize on its website information of berth vacancy and upcoming tendering exercise; and if so, what were these difficulties.

8. The **Director of Marine** replied that the MD had arranged to publicize on its website the information of berth vacancy with effect from 1 December 2012. Tender invitations would continue to be published in the Government Gazette and local newspapers as well as on the MD's website.

### **C. Providing surveying and licensing services**

9. The Committee noted from paragraphs 3.12 and 3.15 of the Audit Report that due to the limited supply of authorized surveyors in Hong Kong and Mainland China, demand on survey services by the MD had remained high. This had resulted in the MD's failure in meeting its performance pledges in 2010-2011 and 2011-2012 for approving 90% of the plans for new building and modification of local vessels within two months and one month respectively. The Committee enquired about the reason(s) for the limited supply of authorized surveyors, and whether consideration would be given to, say, collaborating with vocational training institutions in coming up with more training places for people who aspired to become authorized surveyors.

10. In his letter dated 30 November 2012, the **Director of Marine** explained that:

- as ship building and ship repairs were no longer major industries in Hong Kong, there were currently limited places in the local tertiary institutions on marine engineering and no local academic courses for naval architecture; and



- in 2004, a Sea-going Training Incentive Scheme ("Scheme") was launched by the Government to provide subsidy to encourage youngsters to take up and complete sea-going training with a view to developing their future careers in the port and maritime industry. So far, more than 200 youngsters had joined the Scheme.

11. The Committee noted from paragraph 3.23 of the Audit Report that from November 2008 to early June 2012, the MD only issued reminders for vessels with licences expired since 2008. The Committee enquired about the reason(s) for not issuing reminders to vessel owners with expired licences irrespective of the expiry dates.

12. The **Director of Marine** replied that following the Audit recommendation, the MD would issue reminders in phases to all owners with expired licences irrespective of the expiry date.

13. On the question of whether consideration would be given to stepping up efforts in contacting the vessel owners with expired licences, such as by telephone, facsimile, electronic mail and cable, the **Director of Marine** responded that the MD would follow up those cases with expired licences by telephone and closely monitor their feedback and evaluate the effectiveness of this measure.

#### **D. Managing private moorings**

14. As revealed in paragraph 4.11 of the Audit Report, 123 (87%) of 141 private mooring owners had not renewed the licences of their designated vessels and the majority of them had their licences expired for more than three years, reflecting these owners are no longer in need of private mooring spaces. As there were long waiting lists for private mooring spaces in some areas, the Committee asked about the reason(s) for not strengthening enforcement action against private moorings not used by the designated vessels.

15. The **Director of Marine** replied that the MD would step up patrol at designated mooring areas to check whether the private mooring was no longer used by the designated vessels and take enforcement action as appropriate, including verifying whether consent had been given by the mooring owner. The MD was also

upgrading its computer system to enhance the linkage between the vessels' licence information and the database of private moorings to facilitate its patrol officers to take more effective and efficient enforcement action against any irregularities identified.

## **E. Marine accident investigation**

16. As stated in paragraph 5.8 of the Audit Report, the MD has not set any target time for the translation of an accident investigation report from English into Chinese. A total of 13 out of the 34 draft reports completed at 31 May 2012 required translation. The translation process for 10 of these draft reports took eight to 51 weeks. The average time taken was 25 weeks, which was disproportionately long compared with the 30-week target time for completing the draft reports. The Committee asked what difficult(ies) was encountered by the MD for not being able to expedite the translation of these draft reports.

17. The **Director of Marine** replied in his letter that:

- factors affecting the translation process of marine accident investigation reports included the technical nature and length of the reports, the professional language used in the drafting and the regular change in the posting of Official Languages Officers in the MD; and
- the MD would amend the investigation guidelines to specify that for incidents that involved local or river trade vessels operators, the related investigation reports should be drafted in Chinese.

## **F. Conclusions and recommendations**

18. The Committee notes the above replies of the Director of Marine and wishes to be kept informed of the progress made in implementing the various recommendations made by the Audit.

## **A. Introduction**

The Audit Commission ("Audit") conducted a review of the youth employment services.

2. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses to its enquiries.

## **B. Case management services**

3. According to paragraph 2.9 of the Director of Audit's Report ("Audit Report"), in the period 2009-2010 to 2011-2012 (up to 31 March 2012), only two training activities were organized by the Labour Department ("LD") for case managers of the Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme ("YTPTS") each year; and many case managers were unable to enrol on the training activities due to high demand for training places.

4. According to paragraph 2.13 of the Audit Report, as at 31 March 2012, the Training and Career Plans for 2 746 (57%) trainees had not been submitted to the LD. There was no documentary evidence showing that the LD had ascertained the submission due dates or had taken follow-up action with the case managers. For the remaining 2 043 (43%) trainees who had submitted their Plans to the LD, the LD did not keep record of the submission due dates. The Plans for 527 (26%) of the 2 043 trainees were submitted after the due dates. For 89 of these 527 trainees, the Plans were submitted more than 180 days after the due dates.

5. According to paragraph 2.27(a) of the Audit Report, 3 755 (78%) of the 4 789 trainees of 2010-2011 who had completed the 12-month basic period as at 31 March 2012 had not yet been submitted the Case Review Reports to the LD.

6. The Committee enquired whether the problems referred to in paragraphs 2.9, 2.13 and 2.27(a) of the Audit Report were due to the lack of manpower of the LD in monitoring the YTPTS.

*Youth employment services*

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7. The **Commissioner for Labour** replied in his letter of 30 November 2012 (in *Appendix 40*) that:

- regarding the problem referred to in paragraph 2.9 of the Audit Report, the LD would organize more training activities for case managers to facilitate their timely registration. More training sessions would be arranged where there was a need; and
- regarding the problems referred to in paragraphs 2.13 and 2.27(a) of the Audit Report, the LD would enhance the liaison with the training bodies to understand the difficulties encountered by the case managers and draw up measures to ensure that the case managers would submit the Training and Career Plan and Case Review Report in a timely manner. The LD would also enhance the computer system for issuing automatic reminders to training bodies to alert them to overdue cases, and ask them to explain or rectify.

8. The Committee noted from paragraph 2.18(a) of the Audit Report that most case managers (82%) spent less than 20 hours a year or on average less than half an hour a week with each trainee, which was much less than the suggested 70 hours. The Committee asked what actions would be taken by the LD to address the problem, such as whether the LD would refuse claims for service fees by the case managers concerned.

9. The **Commissioner for Labour** explained in the same letter that the case management service fees were remunerated on an hourly basis and the training bodies could only charge the LD for the actual number of service hours spent with the trainees. In other words, the case managers were not allowed to make claims and obtain payment from the LD for training hours unspent with the trainees.

10. According to paragraph 2.19 of the Audit Report, the LD estimated that for each programme year, the case managers would claim a total of 270 000 hours on case management services and the total amount of case management service fees would be \$17.55 million. However, up to August 2012, the LD only approved payment of \$1.56 million case management services fees for 19 500 hours (7% of 270 000 hours) for trainees of 2009-2010. The Committee enquired about the reason for such discrepancy.

11. The **Commissioner for Labour** replied in his letter that:

- whilst training bodies could claim service fees after completing the case management services, some of the claims would only become due in the following programme years. On the other hand, the need to revamp the payment procedures and to modify the computer system after the integration of the Youth Pre-employment Training Programme and the Youth Work Experience and Training Scheme in 2009 had brought the LD significant workload;
- various measures had been adopted by the LD to expedite the processing of claims for case management service fees. As at 31 October 2012, 5 560 (96%) of the 5 779 claims received from the case managers had been processed; and
- the figure of 270 000 hours for trainees as quoted in the Audit Report was an estimate adopted for budgeting purpose for that programme year. The actual usage of case management services would depend on the trainees' actual needs and the case managers' professional assessment.

### **C. Workplace attachment and on-the-job training**

12. Workplace attachment and on-the-job training are vital elements of the YTPTS which help trainees to develop positive work attitude, establish good work habits, acquire work knowledge and interpersonal skills as well as to understand their abilities and potential. However, according to paragraph 4.5 of the Audit Report, during the period from 2005-2006 to 2011-2012 (up to 31 March 2012), less than 50% of the trainees under the YTPTS were engaged in workplace attachment or on-the-job training. The Committee enquired whether the LD had conducted any analysis to find out which types of trades or lines of work were more popular with trainees, so as to improve the engagement rate.

13. The **Commissioner for Labour** replied in his letter that:

- when young people enrolled on YTPTS as trainees, they would be asked to indicate their job preferences. The LD would then help them apply for workplace attachment and/or on-the-job training in those industries or occupations as far as possible;

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- the reason why the engagement rate of workplace attachment and on-the-job training had not been very high was because, nowadays, many options were open to the trainees; and
- in order to promote the trainees' participation in on-the-job training, in recent years, the LD had been enhancing their collaboration with employers in launching more training-cum-employment projects, especially in those trades or industries that young people express interest, such as Japanese style hairdressing and aircraft maintenance. Through such efforts, there was a steady rise in the engagement rate, from 32% in 2008-2009 to 38% in 2010-2011.

**D. Conclusions and recommendations**

14. The Committee notes the above replies of the Commissioner for Labour and wishes to be kept informed of the progress made in implementing the various recommendations made by the Audit.

**SIGNATURES OF THE CHAIRMAN,  
DEPUTY CHAIRMAN AND MEMBERS OF THE COMMITTEE**

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Abraham SHEK Lai-him  
(Chairman)



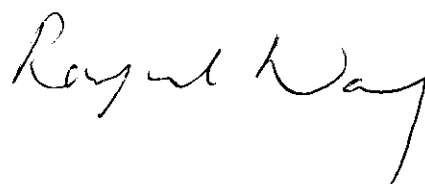
Paul TSE Wai-chun  
(Deputy Chairman)



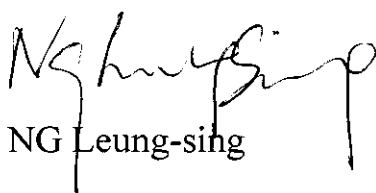
CHAN Hak-kan



Alan LEONG Kah-kit



WONG Yuk-man



NG Leung-sing



Kenneth LEUNG

30 January 2013

**CHAPTERS IN THE DIRECTOR OF AUDIT'S REPORT NO. 59  
DEALT WITH IN THE PUBLIC ACCOUNTS COMMITTEE'S REPORT**

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**Director of  
Audit's Report  
No. 59**

**P.A.C.  
Report No. 59**

<u>Chapter</u>	<u>Subject</u>	<u>Chapter</u>
1	Monitoring and reporting of air quality	1
2	Implementation of air-quality improvement measures	2
3	Regulatory control of private hospitals	3
4	Land grants for private hospital development	4
5	Government's financial support to film industry	5
7	Management of public enquiries and complaints by the Food and Environmental Hygiene Department	6
9	Provision of local services by the Marine Department	7
10	Youth employment services	8



**RULES OF PROCEDURE OF  
THE LEGISLATIVE COUNCIL OF  
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

**72. Public Accounts Committee**

(1) There shall be a standing committee, to be called the Public Accounts Committee, to consider reports of the Director of Audit –

- (a) on the accounts of the Government;
- (b) on such other accounts required to be laid before the Council as the committee may think fit; and
- (c) on any matter incidental to the performance of his duties or the exercise of his powers as the committee may think fit.

(2) The committee shall also consider any report of the Director of Audit laid on the Table of the Council which deals with examinations (value for money audit) carried out by the Director relating to the economy, efficiency and effectiveness of any Government department or public body or any organization to which his functions as Director of Audit extend by virtue of any Ordinance or which receives public moneys by way of subvention.

(3) The committee shall consist of a chairman, deputy chairman and 5 members who shall be Members appointed by the President in accordance with an election procedure determined by the House Committee. *(L.N. 214 of 2005)*

(3A) The chairman and 2 other members shall constitute a quorum of the committee. *(L.N. 214 of 2005)*

(3B) In the event of the temporary absence of the chairman and deputy chairman, the committee may elect a chairman to act during such absence. *(L.N. 214 of 2005)*

(3C) All matters before the committee shall be decided by a majority of the members voting. Neither the chairman nor any other member presiding shall vote, unless the votes of the other members are equally divided, in which case he shall give a casting vote. *(L.N. 214 of 2005)*

(4) A report mentioned in subrules (1) and (2) shall be deemed to have been referred by the Council to the committee when it is laid on the Table of the Council.

(5) Unless the chairman otherwise orders, members of the press and of the public shall be admitted as spectators at meetings of the committee attended by any person invited by the committee under subrule (8).

(6) The committee shall meet at the time and the place determined by the chairman. Written notice of every meeting shall be given to the members and to any person invited to attend a meeting at least 5 clear days before the day of the meeting but shorter notice may be given in any case where the chairman so directs.

(7) *(Repealed L.N. 214 of 2005)*

(8) The chairman or the committee may invite any public officer, or, in the case of a report on the accounts of or relating to a non-government body or organization, any member or employee of that body or organization, to give information or any explanation or to produce any records or documents which the committee may require in the performance of its duties; and the committee may also invite any other person to assist the committee in relation to any such information, explanation, records or documents.

(9) The committee shall make their report upon the report of the Director of Audit on the accounts of the Government within 3 months (or such longer period as may be determined under section 12 of the Audit Ordinance (Cap. 122)) of the date on which the Director's report is laid on the Table of the Council.

(10) The committee shall make their report upon the report of the Director of Audit mentioned in subrule (2) within 3 months (or such longer period as may be determined by the Council) of the date on which the Director's report is laid on the Table of the Council.

(11) Subject to these Rules of Procedure, the practice and procedure of the committee shall be determined by the committee.

**Paper presented to the Provisional Legislative Council  
by the Chairman of the Public Accounts Committee  
at the meeting on 11 February 1998 on  
Scope of Government Audit in the  
Hong Kong Special Administrative Region -  
'Value for Money Audits'**

**SCOPE OF WORK**

1. The Director of Audit may carry out examinations into the economy, efficiency and effectiveness with which any bureau, department, agency, other public body, public office, or audited organisation has discharged its functions.
  
2. The term "audited organisation" shall include -
  - (i) any person, body corporate or other body whose accounts the Director of Audit is empowered under any Ordinance to audit;
  - (ii) any organisation which receives more than half its income from public moneys (this should not preclude the Director from carrying out similar examinations in any organisation which receives less than half its income from public moneys by virtue of an agreement made as a condition of subvention); and
  - (iii) any organisation the accounts and records of which the Director is authorised in writing by the Chief Executive to audit in the public interest under section 15 of the Audit Ordinance (Cap. 122).
  
3. This definition of scope of work shall not be construed as entitling the Director of Audit to question the merits of the policy objectives of any bureau, department, agency, other public body, public office, or audited organisation in respect of which an examination is being carried out or, subject to the following Guidelines, the methods by which such policy objectives have been sought, but he may question the economy, efficiency and effectiveness of the means used to achieve them.

## GUIDELINES

4. The Director of Audit should have great freedom in presenting his reports to the Legislative Council. He may draw attention to any circumstance which comes to his knowledge in the course of audit, and point out its financial implications. Subject to these Guidelines, he will not comment on policy decisions of the Executive Council and the Legislative Council, save from the point of view of their effect on the public purse.

5. In the event that the Director of Audit, during the course of carrying out an examination into the implementation of policy objectives, reasonably believes that at the time policy objectives were set and decisions made there may have been a lack of sufficient, relevant and reliable financial and other data available upon which to set such policy objectives or to make such decisions, and that critical underlying assumptions may not have been made explicit, he may carry out an investigation as to whether that belief is well founded. If it appears to be so, he should bring the matter to the attention of the Legislative Council with a view to further inquiry by the Public Accounts Committee. As such an investigation may involve consideration of the methods by which policy objectives have been sought, the Director should, in his report to the Legislative Council on the matter in question, not make any judgement on the issue, but rather present facts upon which the Public Accounts Committee may make inquiry.

6. The Director of Audit may also -

- (i) consider as to whether policy objectives have been determined, and policy decisions taken, with appropriate authority;
- (ii) consider whether there are satisfactory arrangements for considering alternative options in the implementation of policy, including the identification, selection and evaluation of such options;
- (iii) consider as to whether established policy aims and objectives have been clearly set out; whether subsequent decisions on the implementation of policy are consistent with the approved aims and objectives, and have been taken with proper authority at the appropriate level; and whether the resultant instructions to staff accord with the approved policy aims and decisions and are clearly understood by those concerned;

- (iv) consider as to whether there is conflict or potential conflict between different policy aims or objectives, or between the means chosen to implement them;
- (v) consider how far, and how effectively, policy aims and objectives have been translated into operational targets and measures of performance and whether the costs of alternative levels of service and other relevant factors have been considered, and are reviewed as costs change; and
- (vi) be entitled to exercise the powers given to him under section 9 of the Audit Ordinance (Cap. 122).

## **PROCEDURES**

7. The Director of Audit shall report his findings on value for money audits in the Legislative Council twice each year. The first report shall be submitted to the President of the Legislative Council within seven months of the end of the financial year, or such longer period as the Chief Executive may determine. Within one month, or such longer period as the President may determine, copies shall be laid before the Legislative Council. The second report shall be submitted to the President of the Legislative Council by the 7th of April each year, or such date as the Chief Executive may determine. By the 30th April, or such date as the President may determine, copies shall be laid before the Legislative Council.

8. The Director's report shall be referred to the Public Accounts Committee for consideration when it is laid on the table of the Legislative Council. The Public Accounts Committee shall follow the rules governing the procedures of the Legislative Council in considering the Director's reports.

9. A Government minute commenting on the action Government proposes to take in respect of the Public Accounts Committee's report shall be laid on the table of the Legislative Council within three months of the laying of the report of the Committee to which it relates.

10. In this paper, reference to the Legislative Council shall, during the existence of the Provisional Legislative Council, be construed as the Provisional Legislative Council.

**Hong Kong Housing Authority: Management of Commercial Properties  
Updated Progress of Implementing Audit Recommendations**

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
<b>PART 2 : MANAGEMENT OF RETAIL PREMISES</b>		
2.20	<p><b>Day-to-day Management of Retail Premises</b></p> <p><b>Follow-up of suspected cases identified by Audit</b></p> <p>(a) take follow-up actions on those suspected cases identified by Audit during the course of the audit review;</p> <p><b>Unauthorised use and alteration of retail premises</b></p> <p>(b) request HD staff and contractors to step up their daily patrol work and unit-to-unit inspections to prevent unauthorised use and alteration of retail premises (including storerooms);</p> <p>(c) provide guidelines to HD/contractor staff on the use of a risk-based approach in conducting unit-to-unit inspections, ensuring that those high-risk categories (e.g. repeated offenders and non-trading retail premises) are inspected with a higher priority and frequency;</p>	<p>(a) The HD has investigated into individual suspected cases of improper use of retail premises and storerooms and taken prompt tenancy enforcement actions.</p> <p>(b), (c) and (d)</p> <p>The HD has extended the unit-to-unit inspection exercise to cover all the 2,800 storerooms and issued a new instruction to provide detailed guidelines for staff to strictly enforce the unit-to-unit inspection according to the prescribed priority and frequency based on the high-risk categories such as repeated offenders. In addition, report on cases with irregularities observed will be submitted to the senior management on a quarterly basis for monitoring purpose.</p>

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
	<p>(d) remind HD staff and contractors to report irregularities observed in the unit-to-unit inspections to HD senior management in the quarterly progress report;</p> <p><b>Suspected gambling activities</b></p> <p>(e) step up measures to combat suspected gambling activities in the HA retail facilities;</p>	<p>In addition, the HD also deploys the Headquarters Audit Teams to conduct random checks for management control purpose.</p> <p>(e) The HD will continue to report promptly all suspected gambling activities to the Police for law enforcement action. To further bolster the deterrent effect, the CPC endorsed in August 2011 to include the mal-practice of playing mahjong, Tin Kau and card games with gambling elements inside the leased premises as a misdeed under the Enhanced Marking Scheme for Commercial Properties (Marking Scheme) with allotment of five demerit points without warning. The existing tenancy agreement for commercial premises has been strengthened by adding a new clause of disallowing mahjong playing and activities other than the designated trade inside the leased premises.</p>

Audit Report para. no.	Audit recommendations	Progress to date
	<p><b>Retail premises not regularly open for business</b></p> <p>(f) ascertain the reasons for the prevalence of non-trading in some of the retail facilities during normal business hours, and take actions to address them;</p> <p>(g) consider stipulating a non-trading rule in the HA's tenancy agreements for retail shops and cooked-food-stalls (CFS);</p> <p>(h) consider tightening the non-trading rule for the HA market stalls, making reference to the Food and Environmental Hygiene Department's practice;</p> <p>(i) maintain inspection records to provide supporting evidence for enforcing the non-trading under the tenancy agreements;</p> <p>(j) report to the CPC significant non-trading problem, as well as the measures taken to tackle it;</p>	<p>(f), (g), (h), (i) and (j)</p> <p>The HD completed the stock-taking of retail premises not regularly open for business and reported findings and proposed measures to address it to the CPC in late August 2011. To ensure the business operation in a normal manner, the HD has added new clauses to the tenancy agreements to specify the minimum opening hours and business days of shopstalls, ground floor shops and retail facilities in shopping centres with open layout. HD frontline staff will continue to maintain inspection records of non-trading to support tenancy enforcement action.</p>



<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
	<p><b>Misdeeds under the marking scheme</b></p> <p>(k) closely monitor the enforcement work to combat the obstruction problem;</p> <p>(l) step up enforcement actions against those tenants who have repeatedly committed misdeeds under the marking scheme; and</p> <p>(m) remind HD staff and contractors to strictly follow the established procedures in taking enforcement actions.</p>	<p>(k), (l) and (m)</p> <p>The HD will continue to strengthen enforcement action to combat obstruction in public area in accordance with the established procedures under the Marking Scheme. The HD has conducted briefings and issued instructions to remind frontline staff to tighten up control of obstructions. In addition, the HD has arranged the Mobile Operations Unit to reinforce them to remove obstructions and also deployed the Headquarters Audit Teams to conduct random checks for monitoring purpose.</p>
2.30	<p><b>Letting of retail premises</b></p> <p><b>Publicising vacancies of retail premises</b></p> <p>(a) ensure that all vacant retail premises available for letting are widely publicised. In particular, HD staff should be reminded that:</p> <p>(i) all vacant retail premises are put up for open tender as frequently as practicable; and</p> <p>(ii) “For Lease” posters are put up on the front of all vacant retail premises; and</p>	<p>(a) (i) and (ii)</p> <p>The HD will continue to publicise vacancies through advertisements and the HA/HD website and re-let vacant retail premises as frequently as practicable. Leasing information on the proposed trades including invitation to suggest alternative trades will also be posted on the shop front of these premises as well as on the HA/HD website.</p>

Audit Report para. no.	Audit recommendations	Progress to date
	<p><b>Re-tendering vacant retail premises for letting</b></p> <p>(b) in re-letting vacant retail premises (especially those long vacant premises), consider further encouraging prospective tenants to make trade suggestions.</p>	<p>(b) The HD has implemented the new strategy since mid-2011 to invite potential tenderers to suggest their preferred trades after two rounds of unsuccessful tenders.</p>
2.40	<p><b>Priority for major improvement works</b></p> <p>(a) duly take into account the vacancy rates of retail facilities when selecting them for carrying out major improvement works to enhance their commercial potential;</p> <p><b>Need to reduce market vacancy rate</b></p> <p>(b) take early action to address the long-standing vacancy problem in some of the HA markets; and</p> <p><b>Implementation of the revised leasing strategy for CFS</b></p> <p>(c) implement the revised leasing strategy for CFS as soon as possible.</p>	<p>(a) The HD has been setting the priority for major improvement programmes according to a comprehensive analysis of the commercial potential of individual retail premises based on their respective strength and weakness and with vacancy rates taking into consideration.</p> <p>(b) The HD is implementing various management initiatives to reduce the vacancy rate through market re-ordering and conversion plans to suit the local need.</p> <p>(c) The HD has completed studies on the possible options to dispose of the ten vacant CFS with letting formalities on the pipeline.</p>

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
2.48	<p><b>Monitoring of operating expenditure</b></p> <p>(a) improve the current monitoring mechanism to ensure that:</p> <ul style="list-style-type: none"> <li>(i) all cases of non-compliance (i.e. those exceeding the operating expenditure benchmarks) are reported to the senior management;</li> <li>(ii) effective follow-up actions are taken on all cases of non-compliance; and</li> <li>(iii) the unit operating expenditure for the retail facilities are correctly calculated; and</li> </ul> <p>(b) ensure that the daily expenses are correctly charged to the appropriate business accounts.</p>	<p>(a)(i), (ii) and (iii)</p> <p>HD staff have been reminded to observe the internal instructions in place and report for improvement of any non-compliance cases. Periodic reviews on operating expenditure of respective items at regional and headquarters level will be conducted with a view to meeting the budget accuracy and compliance to the set benchmarks.</p> <p>(b) The HD has provided two specific training courses to local management staff on accounting guidelines and charging principles for business accounts and will continue organising regular briefing sessions and seminars to enrich their knowledge of financial management.</p>

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
<b>PART 3 : MANAGEMENT OF CAR PARKS</b>		
3.12	<p><b>Planning the provision of parking facilities</b></p> <p>In consultation with the Transport Department (TD), the HD should continue to regularly review and, if necessary, refine the parking planning standards, having regard to the changing supply and demand conditions.</p>	<p>The HD will maintain the existing co-ordination mechanism with the TD to review and refine the planning standards of parking spaces and will carefully plan the provision of car-parking facilities in new public housing developments on a case-by-case basis.</p>
3.21	<p><b>Measures to improve the utilisation of parking spaces</b></p> <p>Expedite efforts to implement the recommendations arising from the strength-weakness-opportunity-threat (SWOT) analyses.</p>	<p>While a five-year programme for carpark improvement based on SWOT analyses endorsed by the CPC will be rolled out, the HD will implement short-term measures such as change of use of parking spaces (e.g. change from private-car to motor-cycle parking spaces) and letting to non-residents to improve occupancy rates.</p>
3.34	<p><b>Conversion of surplus carpark facilities into other uses</b></p> <p>In exploring major conversion of commercial premises in future, the HD should ensure that:</p> <p>(a) the rent for the converted premises is assessed, duly taking into account the conversion costs and the proposed use of the premises; and</p>	<p>(a) The HD will continue the practice to make rental assessment on all these conversion projects with due consideration to costs and proposed use.</p>

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
	(b) conversion works commence only after the signing of the letter of offer, and the premises are handed over to the tenant only after the signing of the tenancy agreement.	(b) Recommendation noted.
<b>PART 4 : MANAGEMENT OF FACTORY ESTATES</b>		
4.11	<p><b>Need to work out a definite clearance plan for Chai Wan Factory Estate (CWFE)</b></p> <p>The HD should draw up, as soon as possible, a definite clearance plan for the CWFE, having regard to such factors as the building conditions, vacancy rate, and expected use of the site.</p>	The clearance plan for the CWFE was announced on 10 March 2011.
4.16	<p><b>Long-term development of newer factory estates</b></p> <p>(a) review the position of the six newer factory estates, and explore the clearance/redevelopment of these factory sites in the light of the latest market conditions; and</p> <p>(b) develop a strategy for the long-term development of HA factory estates, having regard to the policy of progressively absolving the HA from the ownership and management of such estates.</p>	<p>(a) and (b)</p> <p>Given the persistent demand for small factory units, the HD will continue the management of the six newer factory estates and review the situation from time to time.</p>
4.28	<p><b>Suspected Subletting of factory premises</b></p> <p>(a) follow up on the suspected subletting cases identified by Audit;</p>	(a) The HD has investigated into individual suspected subletting cases and taken rectification actions.

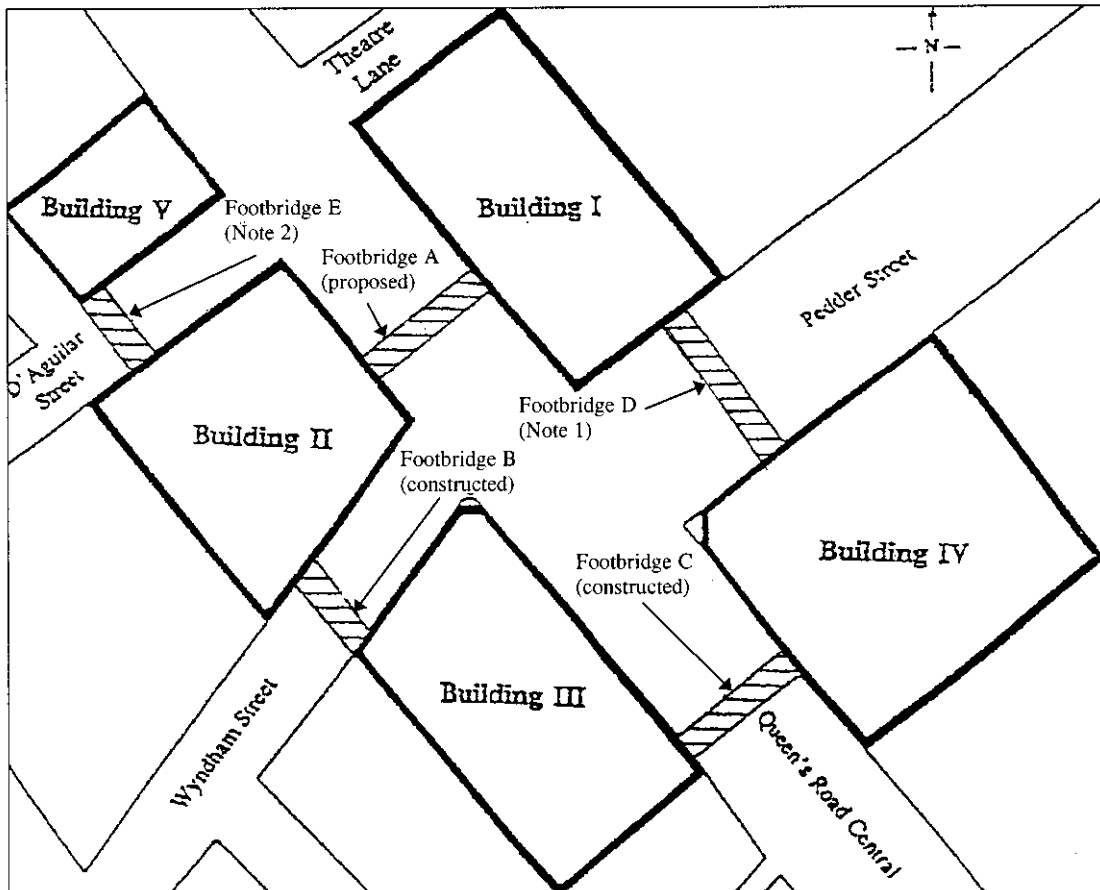
<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
	<p>(b) investigate whether there are similar cases of subletting in HA factory premises and take necessary follow-up actions; and</p> <p>(c) step up the HD's efforts to combat the problem of subletting of HA factory premises. In particular, HD staff should be reminded to strictly follow the Factory Manual procedures (including sanction measures) to detect and deter subletting.</p>	<p>(b) and (c)</p> <p>The HD has put in place an enhanced system on unit-to-unit inspection to factory units to facilitate better control and management. Clear guidelines have also been issued to strengthen the reporting and checking mechanism.</p>
<b>PART 5 : PERFORMANCE MEASUREMENT AND REPORTING</b>		
5.12	<p><b>Performance management</b></p> <p>To enhance the performance measurement and reporting, the HD should:</p> <p><b>Performance information on the vacancy position</b></p> <p>(a) review and revise the basis for calculating the vacancy rate of retail premises;</p> <p>(b) consider presenting additional information to the CPC on the percentage of those vacant but committed areas, analysed by categories;</p>	<p>(a) All new premises which are not yet ready for letting has been excluded from the total stock in calculation of vacancy position since January 2011.</p> <p>(b) A steer from the CPC will be sought in the forthcoming annual review concerning the approach in reporting vacancy rate of different categories of non-domestic premises.</p>

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
	<p><b>Customer satisfaction level</b></p> <p>(c) devise a mechanism to gauge, and report to the CPC, the residents' satisfaction level on various aspects of performance in respect of the management of commercial properties; and</p> <p><b>Key Performance Indicators (KPIs) and targets for different types of properties</b></p> <p>(d) consider setting specific KPIs and targets (e.g. vacancy rate) for different types of commercial properties.</p>	<p>(c) The HD has included residents' satisfaction level on the management of HA's commercial properties in the annual Public Housing Recurrent Survey (PHRS) from 2011 onward.</p> <p>(d) This will be considered in preparing the 2012/13 business plan for commercial properties.</p>
<b>PART 6 : THE WAY FORWARD</b>		
6.26	<p><b>Divestment of Retail and carpark (RC) Facilities</b></p> <p>(a) continue the HD's efforts to take effective actions (including the allocation of adequate manpower) for discharging its responsibilities as the Deed of Mutual Covenant (DMC) manager of the estates with divested properties;</p> <p>(b) obtain feedback on the tenants' satisfaction level on the management of commercial properties, for the purpose of benchmarking the performance of the HA against that of the private sector;</p>	<p>(a) As the DMC manager in estates with divested properties, the HD will continue to discharge its responsibilities effectively and professionally.</p> <p>(b) The HD has included residents' satisfaction level on the management of HA's commercial properties in the annual PHRS from 2011 onward.</p>

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
	<p>(c) when planning a similar divestment exercise in future, in consultation with the Secretary for Transport and Housing and the Secretary for Financial Services and the Treasury:</p> <p>(i) critically assess the potential financial implication of transferring the beneficial ownership of the divested properties without a definite timeline for the transfer of legal; and</p> <p>(ii) duly take into account the need to continue to assume the responsibilities as the DMC manager of the estates with divested properties; and</p> <p>(d) in consultation with the Secretary for Transport and Housing and the Secretary for Financial Services and the Treasury:</p> <p>(i) conduct a PIR of the 2005 divestment exercise to evaluate its effectiveness and to identify if there are lessons to be learnt; and</p> <p>(ii) based on the outcome of the review, formulate a long-term strategy and map out the way forward for the management of HA commercial properties.</p>	<p>(c) Recommendations noted whilst the HA has no plan to further divest its RC facilities.</p> <p>(d) Though the HA has no plan to further divest its RC facilities, the HD has engaged EU to conduct the PIR of the 2005 exercise which is underway.</p>



Location map of the five commercial buildings and the five footbridges in the Central District



Source: Planning Department records

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**Note 1:** The construction of Footbridge D would be dealt with when a redevelopment proposal for Building IV was received.

**Note 2:** With reference to Footbridge E, it was pertinent to note that the lease of Building V was an unrestricted lease. The requirement for footbridge connections could not be incorporated into the lease conditions.

**Records management work of the Government Records Service**

**Updated progress of implementing audit recommendations  
(As at September 2012)**

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
<b>Part 2: Overseeing of records management programmes</b>		
2.13	<p><i>Requirements on records management programmes</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) consider setting mandatory requirements on the creation of records, with a view to ensuring that B/Ds create adequate but not excessive records.</p>	<p>(a) Action completed. The GRS has reviewed the existing guidelines on the creation of records. As a result, further guidelines on creation and collection of records were issued in July 2012 to assist B/Ds in identifying information generated in business processes for capturing as records. The GRS will monitor the effectiveness of these guidelines.</p>
2.20	<p><i>Records management studies</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) consider expanding the scope of records management studies so as to fully achieve the objective of such studies;</p>	<p>(a) The GRS will embark on comprehensive records management review for B/Ds in the fourth quarter of 2012.</p>

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
	<p>(b) review the procedures for following up the B/Ds' implementation of the GRS's recommendations made in records management studies to identify whether there are inadequacies; and</p> <p>(c) based on the review results in (b) above, take appropriate measures to ensure that B/Ds promptly implement the GRS's recommendations in future to improve their records management.</p>	<p>(b) and (c)</p> <p>The aim of the records management studies is to help B/Ds adopt the standard classification scheme for administrative records. Following review, the Administration has since August 2011 required B/Ds to submit quarterly reports on their progress of adopting the standard classification scheme for administrative records as a mandatory records management requirement. The GRS has also provided assistance to B/Ds as appropriate. All B/Ds have now adopted the standard classification scheme except for a few B/Ds which were only covered by records management studies recently and are given three years to adopt the standard classification scheme after completion of the studies. The B/Ds concerned are required to submit quarterly progress reports to the GRS during the three-year implementation period.</p> <p>Actions on (a) to (c) completed as (a) will be implemented on an on-going basis and (b) and (c) have been implemented.</p>

Audit Report para. no.	Audit recommendations	Progress to date
2.32	<p><i>Records management surveys</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) conduct service-wide surveys at appropriate times after promulgating major records management policies and practices so that any common implementation issues can be identified and addressed in a timely manner;</p> <p>(c) conduct follow-up surveys to monitor B/Ds' compliance with the mandatory records management requirements set out in General Circular No. 2/2009 (particularly those concerning records disposal); and</p> <p>(d) based on the results of the follow-up surveys in (c) above, consider taking more stringent measures in warranted cases.</p>	<p>(a), (c) and (d)</p> <p>The GRS will conduct the next service-wide survey in the fourth quarter of 2012 to monitor B/Ds' compliance with the mandatory requirements, and will consider the improvements required based on the results of the survey.</p>
<b>Part 3: Storage and disposal services for inactive records</b>		
3.22	<p><i>Storage and disposal of inactive records</i></p> <p>Audit has recommended that the Director of Administration should:</p>	

Audit Report para. no.	Audit recommendations	Progress to date
	(f) urge the Department of Justice to complete the review of the personal records.	(f) Action completed. The Department of Justice has already completed the review of 886 files involved.
<b>Part 4: Management of archival records</b>		
4.24	<p><i>Safe custody of archival records</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) require GRS staff to conduct periodical stocktaking of archival and library holdings.</p>	<p>(a) The GRS has just completed the stocktaking of holdings of the Central Preservation Library for Government Publications in end-September 2012. Action completed as the recommendation will be implemented on an on-going basis.</p>
4.35	<p><i>Access to archival records</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) expedite action on ascertaining the current B/Ds responsible for confirming the access status of the 627 archival records created by some former B/Ds;</p> <p>(b) set mandatory requirements specifying that B/Ds should confirm the access status of classified archival records within</p>	<p>(a) The GRS has identified the current B/Ds responsible for confirming the access status of the 627 records and the B/Ds concerned have been invited to review the access status of these records accordingly. So far the access status of over 200 records has been confirmed.</p> <p>(b) The GRS is monitoring the effectiveness of improvement measures implemented recently to facilitate review of the access</p>

<b>Audit Report para. no.</b>	<b>Audit recommendations</b>	<b>Progress to date</b>
	<p>a reasonable time after they reach 30 years old;</p> <p>(c) urgently follow up the long outstanding cases with the B/Ds concerned at an appropriate senior level; and</p> <p>(d) monitor B/Ds' compliance with the requirements in (b) above and consider taking more stringent measures where warranted by circumstances.</p>	<p>status of classified records by B/Ds in a more coordinated and timely manner. The GRS will consider the need for setting the proposed mandatory requirements if necessary.</p> <p>(c) The GRS has followed up the outstanding cases with the 18 B/Ds concerned since September 2011. Of the 1,137 records mentioned in the Audit Report, the access status of over 1,100 records has been confirmed. The GRS has requested the relevant B/Ds to complete the review of the remaining records as soon as possible.</p> <p>(d) See (b) above.</p>

**Witnesses who appeared before the Committee  
(in order of appearance)**

Dr KO Wing-man	Secretary for Food and Health
Mr Richard YUEN	Permanent Secretary for Food and Health (Health)
Prof Sophia CHAN Siu-chee	Under Secretary for Food and Health
Mr Chris SUN	Head, Healthcare Planning and Development Office Food and Health Bureau
Dr Constance CHAN Hon-yee	Director of Health
Dr Amy CHIU	Assistant Director of Health (Health Administration and Planning)
Dr FUNG Ying	Senior Medical and Health Officer (Regulatory) Department of Health
Mr Paul CHAN Mo-po	Secretary for Development
Mr Thomas CHAN	Deputy Secretary for Development (Planning and Lands)
Ms Bernadette LINN	Director of Lands
Ms Rita LAI	Assistant Director (Headquarters) Lands Department
Mr Jimmy LEUNG Cheuk-fai	Director of Planning
Miss Ophelia WONG	Deputy Director (District) Planning Department
Mr Wilson SO	Assistant Director (New Territories) Planning Department
Mr WONG Kam-sing	Secretary for the Environment
Ms Christine LOH Kung-wai	Under Secretary for the Environment

Ms Anissa WONG Sean-yee	Permanent Secretary for the Environment/ Director of Environmental Protection
Mr Andrew LAI Chi-wah	Deputy Director of Environmental Protection
Mr MOK Wai-chuen	Assistant Director (Air Policy) Department of Environmental Protection
Mr PANG Sik-wing	Principal Environmental Protection Officer (Air Policy) Department of Environmental Protection
Mr Edmond HO Ka-man	Principal Environmental Protection Officer (Mobile Source) Department of Environmental Protection
Mr WAI Chi-sing	Permanent Secretary for Development (Works)
Ms Grace LUI Kit-yuk	Permanent Secretary for Development (Works) (Acting)
Professor Anthony CHEUNG	Secretary for Transport and Housing
Mr Andy CHAN Shui-fu	Deputy Secretary for Transport and Housing (Transport) <sup>2</sup>
Ms Julina CHAN Woon-yee	Deputy Secretary for Transport and Housing (Transport) <sup>5</sup>
Mrs Ingrid YEUNG HO Poi-yan	Commissioner for Transport
Ms Carolina YIP Lai-ching	Deputy Commissioner/Transport Services and Management
Mr Francis LIU Hon-por	Director of Marine
Mr Jimmy LEUNG Wing-hong	Chief, Maritime Policy Marine Department
Mr Tony CHAN Cheuk-sang	General Manager (Operations) Marine Department



**Introductory Remarks by  
Chairman of the Public Accounts Committee,  
Hon Abraham SHEK Lai-him, SBS, JP,  
at the First Public Hearing of the Committee  
in respect of the Director of Audit's Report No. 59  
on Saturday, 24 November 2012**

Good morning, ladies and gentlemen. Welcome to the Public Accounts Committee's public hearing relating to Report No. 59 of the Director of Audit on the results of value for money audits, which was tabled in the Legislative Council on 14 November 2012.

2. The Public Accounts Committee is a standing committee of the Legislative Council. It plays the role of a watchdog over public expenditure through consideration of the reports of the Director of Audit laid before the Council on the Government's accounts and the results of value for money audits of the Government and those organisations which receive funding from the Government. The consideration by the Committee of the Director's reports involves gathering evidence relevant to the facts contained in the Director's reports, so that the Committee may draw conclusions and make recommendations in a constructive spirit and forward-looking manner. I also wish to stress that the objective of the whole exercise is such that the lessons learned from past experience and our comments on the performance of the public officers or other personnel concerned will enable the Government to improve its control over the expenditure of public funds, with due regard to economy, efficiency and effectiveness.

3. The consideration of the Director's reports follows an established process of public hearings where necessary, internal deliberations and publication of the Committee's report. The Committee has an established procedure for ensuring that the parties concerned have a reasonable opportunity to be heard. After the Committee is satisfied that it has ascertained the relevant facts, it will proceed to form its views on those facts, followed by a process of formulating its conclusions and recommendations to be included in its report. In accordance with Rule 72 of the Rules of Procedure of the Legislative Council, the Committee is required to make its report on the Director's report to the Legislative Council within three months of the date at which the Director's report is laid on the Table of the Council. Before then, we will not, as a committee or individually, be making any public comments.

4. Following a preliminary study of Report No. 59, the Committee has decided, in respect of four chapters in the Report, to invite the relevant public officers to appear before the Committee and answer our questions. We have, apart from this hearing, also set aside 3, 7 and 15 December 2012 for public hearings on the other chapters.

5. The public hearing today is on Chapter 3 of Report No. 59 on the subject of "Regulatory control of private hospitals". The witnesses are: Dr KO Wing-man (Secretary for Food and Health), Mr Richard YUEN (Permanent Secretary for Food and Health (Health)), Prof Sophia CHAN Siu-chee (Under Secretary for Food and Health), Mr Chris SUN (Head, Healthcare Planning and Development Office, Food and Health Bureau), Dr Constance CHAN Hon-yeet (Director of Health) and Dr Amy CHIU (Assistant Director of Health (Health Administration and Planning)).

6. I now invite members to ask questions.

Legislative Council (LegCo) Public Accounts Committee  
Discussion of the Director of Audit's Report No. 59  
on 7 December 2012

Speaking Notes of the Secretary for the Environment

Mr. Chairman:

I would first like to thank the Committee for giving me and my colleagues the opportunity to respond to the Audit Commission's reports on our air quality improvement work. I am also appreciative of the effort of the colleagues of the Audit Commission and agree with the recommendations in the Report. In fact, improving Hong Kong's air quality is one of the priority work area of the new administration, and we have already formulated a basket of policies and measures to improve the air quality.

2. All along, the Government has endeavoured to improve Hong Kong's air quality. Under the Air Pollution Control Ordinance (APCO), the EPD should implement appropriate measures to achieve the air quality objectives (AQOs) which are statutory objectives for protecting public health. To better protect public health, the Government has announced in January this year the adoption of a set of new AQOs by referencing to the World Health Organisation's (WHO) air quality guidelines (AQGs) and interim targets. We are now at the final stage of drafting the enabling legislation and expect to table our legislative proposal to the Legislative Council for approval early next year. To ensure Hong Kong will parallel international best practices in air quality management, we would include a provision to review the AQOs every five years in the amendment proposal for achieving the ultimate AQGs of the WHO in the longer term.

3. Hong Kong is suffering from two distinct air pollution problems, namely, roadside and regional air pollution. We have been taking two different strategies to tackle these two air pollution problems to improve our air quality as soon as possible. On the one hand, we have been implementing stringent control measures on our local emission sources and on the other, we work closely with the Guangdong Provincial Government with an aim to reduce regional air pollution.

4. From 1999 to 2011, our ambient air quality showed improvements. The concentration levels of key pollutants, i.e. sulphur dioxide (SO<sub>2</sub>), nitrogen dioxide (NO<sub>2</sub>), respirable suspended particulates (RSP) and carbon monoxide, were reduced by 28%, 7%, 8% and 20% respectively. Due to the deterioration of the regional smog problem, the concentrations of ozone, however, increased by 21% and ozone is the major air pollutant not in compliance with the AQOs.

5. In the same period, our roadside SO<sub>2</sub> was reduced significantly by 56%. RSP, though still not in full compliance with the AQOs, was also reduced by 33%. Roadside NO<sub>2</sub>, which increased by 23%, has now become our major roadside issue. The causes of high NO<sub>2</sub> and RSP are emissions from buses, old and poorly maintained diesel vehicles, LPG vehicles using worn out catalytic reduction device and the deterioration of regional smog problem, which accelerates the formation of NO<sub>2</sub> from the nitric oxide emitted from diesel vehicles.

6. Roadside air quality poses the greatest public health concern. We are focusing our action on the two major causes, namely buses and aged diesel vehicles. We have adopted new and effective improvement measures, including retrofitting Euro II and III franchised buses with selective catalytic reduction devices, which can effectively reduce their nitrogen oxides (NO<sub>x</sub>) emissions; requiring the franchised bus companies to deploy low emission buses as far as practicable to run routes in busy areas; launching a more stringent regime of emission control on petrol and LPG vehicles by using remote sensing devices and dynamometers for emission testing and subsidizing owners of LPG taxis and public light buses to replace once the catalytic converters for their vehicles. In addition, to tackle pollution from diesel vehicles, apart from continuing the existing incentive scheme, we are also looking into new options comprising incentives and regulatory measures to strictly control and phase out aged diesel goods vehicles.

7. In addition, we are stepping up control against emissions from power plants and marine vessels. For controlling emissions from power plants, we are very grateful to the LegCo for passing the Third Technical Memorandum last month that would further tighten the emission caps on the two power companies from 2017 onwards. For emissions from vessels, we launched a three-year incentive scheme in September this year to encourage ocean going

vessels to switch to low sulphur fuel while at berth in Hong Kong. As for local vessels, we are working with the trade on a trial to ascertain the technical feasibility of using low sulphur fuel for formulating a control programme.

8. Mr. Chairman, tackling air pollution tops our work on environmental protection. The Chief Executive has directed that the Government should focus on public health in managing air quality. He also made this clear in his first address to the LegCo on 17 October that we will proactively improve air quality and carefully consider public health when formulating clean air policy.

9. Along this direction, the new administration has already reported to the Legislative Council on our air quality management priorities: to improve roadside air quality, reduce shipping emissions, and deal with regional smog through local emissions reduction, as well as work with Guangdong to reduce regional emissions.

10. On the regional front, we set with Guangdong last month the emission reduction targets for 2015 and 2020. We will attain the new emission reduction targets by implementing the 22 air quality improvement measures. According to our latest estimation, if both sides can achieve the 2020 emission reduction targets, our ambient SO<sub>2</sub>, NO<sub>2</sub>, RSP and ozone concentrations will broadly achieve the new AQOs. Hong Kong and Guangdong will carry out an interim review in 2015 to review the progress in emission reduction and further ascertain the emission targets for 2020 in consideration of the state of socio-economic development. Through our efforts on the local and regional fronts, we expect that we will move progressively towards our long term goals, namely the WHO AQGs.

11. To successfully implement our air quality improvement measures, we will require deployment of resources, support from the trade and community, change of behavior of our citizens. At the same time, we need to care for the need of low-income citizens and establish a carrot and stick policy. We will work closely with different Government departments and other stakeholders outside the Government to achieve the desired results. To strengthen the co-ordination of different Government departments, the Government has set up a new Policy Group under the Policy Committee with focus on sustainability, environment and energy policy. Under the chairmanship of the Chief Secretary for Administration, the Policy Group will strengthen cross-bureau

and –department co-operations in the formulation and implementation of air policies. To better understand the needs of the community and tackle more effectively and comprehensively our air pollution, we are also strengthening engagement with experts, academics, professionals and green groups for formulating a better air quality strategy. We had conducted two engagement sessions in October this year. We would soon put forward control plan, which will detail our planned actions.

12. Mr. Chairman, my colleagues and I stand ready to listen to the views and suggestions of Members and to respond to the questions and comments of the Committee.

13. Thank you very much, Mr. Chairman.

本署檔號 ( ) in EP 351/A12/2  
**OUR REF:** ( ) in EP 351/A12/2  
 來函檔號  
**YOUR REF:** CB(4)/PAC/R59  
 電話  
**TEL. NO.:** (852) 2594 6300  
 圖文傳真  
**FAX NO.:** (852) 2827 8040  
 電子郵件  
**E-MAIL.:**  
 網址:  
**HOME PAGE:** <http://www.epd.gov.hk>

**Environmental Protection Department**

**Headquarters**  
 33/F, Revenue Tower,  
 5 Gloucester Road,  
 Wan Chai, Hong Kong.



環境保護署總部

香港  
 灣仔告士打道五號  
 稅務大樓三十三樓

14 December 2012  
 (By fax 2840 0716)

Miss Mary SO  
 Clerk, Public Accounts Committee  
 Legislative Council Secretariat  
 Legislative Council Complex  
 1 Legislative Council Road  
 Central, Hong Kong

Dear Miss SO

**Public Accounts Committee**  
**Consideration of Chapter 1 of the Director of Audit's Report No. 59**  
**Monitoring and reporting of air quality**

Thank you for your letter dated 7 December 2012 on the captioned.

Please find enclosed an information note to facilitate the Committee's further consideration of the captioned Chapter of the Audit Report. If you have any question, please feel free to contact me or our Mr. K.W. Fong at 2594 6412.

Yours sincerely,

(PANG Sik-wing)  
 for Director of Environmental Protection

Encl. (13 pages)

c.c. Secretary for Financial Services and the Treasury (fax no. 2147 5239) w/encl.  
 Director of Audit (fax no. 2583 9063) w/encl.

**Public Accounts Committee**  
**Consideration of Chapter 1 of the Director of Audit's Report No.59**  
**Monitoring and Reporting of Air Quality**

- (a) Reason(s) why the existing air quality objectives (“AQOs”) in Hong Kong, which were set in 1987, have never been revised;**
  
- (b) Reason(s) why no attempt has been made by the Environmental Protection Department to adopt the practices of the United States of America, the United Kingdom and the European Union to introduce new air quality standards for their air pollutants individually as referred to in paragraph 2.19 of the Audit Report;**

Hong Kong established its AQOs in 1987 by referencing United States Environmental Protection Agency (USEPA)'s then national ambient air quality standards (NAAQS), which were the most stringent air quality standards among advanced countries at the time. USEPA's assessments on the health and welfare impacts of air pollutants were the most detailed, comprehensive and in-depth. The NAAQS had been our reference until the World Health Organization (WHO) published its Air Quality Guidelines (AQG) for global application in 2006.

Since the establishment of the Hong Kong's AQOs in 1987, the USEPA did not propose tightening of their NAAQS until 1997. In 1997, the USEPA proposed to introduce new standards for PM<sub>2.5</sub> and replace the 1-hour standard for ozone (O<sub>3</sub>) with a new 8-hour standard for those states already in compliance with the 1-hour standard. The former was more relevant to Hong Kong because we were still striving to meet the 1-hour ozone standard here. Given these developments, the EPD formed a Working Group on the Health Effects of Air Pollution to review the AQOs, which first met in March 1997. The Working Group completed in July 1999 a report on health effects of air pollution with the conclusion that adopting more stringent objectives for sulphur dioxide (SO<sub>2</sub>), respirable suspended particulates (PM<sub>10</sub>), nitrogen dioxide (NO<sub>2</sub>) and O<sub>3</sub> would provide reasonable targets for further protection of public health. The Working Group did not provide numerical target values for these pollutants. It also concluded that that PM<sub>2.5</sub> was potentially of greatest importance. As US was the only place having put forward PM<sub>2.5</sub> standards, we had to make reference to the US standards for setting ours.

After putting forward the proposed PM<sub>2.5</sub> standards, the USEPA encountered a number of lawsuits challenging the adequacy of the proposal. After the settlement of these lawsuits, the USEPA eventually promulgated the final PM<sub>2.5</sub> standards on 17 October 2006, keeping the rest of its standards in the NAAQS essentially unchanged.



While awaiting for the resolution of the lawsuits in the US, we were closely monitoring the progress of WHO in drafting its AQG. Around the time of USEPA's promulgation of the PM<sub>2.5</sub> standards, the WHO published the AQG which provide comprehensive advice on how AQOs should be tightened and numerical targets for the pollutants. We had waited for these events to be clarified before taking further action because we regarded the USEPA and WHO standard-setting to be most authoritative.

We then commissioned the AQO Review Consultancy Study in mid-2007 with a view to revising our AQOs with reference to the WHO new guidelines and practices of advanced countries and developing a long-term air quality management strategy as soon as possible. Immediately after the completion of the AQO Review Consultancy Study, the Government consulted the public in July 2009 on a proposal to update the AQOs together with a package of 19 air quality improvement measures proposed by the Consultant. On 17 January 2012, the Government announced the adoption of the proposed new AQOs together with the package of 22 air quality improvement measures for achieving these new AQOs.

We aim to submit the Amendment Bill to LegCo in early 2013 to make the new AQOs statutory standards by 2014 and require the AQOs be reviewed at a frequency of no less than once every five years.

**(c) Criteria under which the 2014 AQOs, as detailed in Appendix B to the Audit Report, are set.**

When proposing the new AQOs, the AQO Review makes reference to:

- (i) the WHO AQGs and interim targets (ITs) on the major air pollutants,
- (ii) the local pollution concentration levels; as well as
- (iii) the feasibility of achieving the respective WHO AQGs or ITs in the foreseeable future, having regard to technological developments and local circumstances.

This approach is in line with the recommendation of the WHO's guideline that governments need to set their standards according to their own particular circumstances. Specifically, the WHO AQGs recommend that –

- (i) “the standards set in each country will vary according to specific approaches to balancing risks to health, technological feasibility, economic considerations and

other political and social factors”<sup>[1]</sup> . The WHO further recommends that “in formulating policy targets, governments should consider their own local circumstances carefully before using the guidelines directly as legal standards”<sup>[2]</sup>; and

- (ii) “given that air pollution levels in some countries often far exceed the recommended guideline levels, interim target levels are proposed, in excess of the guideline levels themselves, to promote steady progress towards meeting the WHO guidelines”<sup>[3]</sup>.

Out of the seven air pollutants in the new AQOs and the 12 average time measurements in the WHO AQG, we have already adopted the WHO AQGs for CO, Pb, NO<sub>2</sub> and SO<sub>2</sub> 10-minutes average concentration limit. Details are in Appendix B of the Audit report.

For CO and Pb, our previous control efforts have already reduced their emissions to such levels that we are already in compliance with the respective WHO AQGs.

As regards NO<sub>2</sub>, the WHO does not provide Interim Targets, and this is a pollutant that presents significant challenges to Hong Kong, particularly at the roadside. Its concentration is largely contributed by our local sources though regional ozone also affect our NO<sub>2</sub> concentration levels. While it presents a major challenge to attain the ultimate AQG, where there is community support for decisive measures to reduce emission from major local sources, in particular, from commercial vehicles and together with regional collaboration to reduce O<sub>3</sub>, we consider it feasible to attain the proposed standard in general at the ambient stations though there will remain certain local hotspots at the roadside. Further to the 22 measures, we would continue to strive for additional emission control measures to reduce NO<sub>2</sub>.

As regards SO<sub>2</sub> (24 hours average time measurement), the WHO provides Interim Targets 1 and 2. We have adopted Interim Target 1 which is by no means a loose target as it is also being adopted by the advanced countries such as the European Union (EU). Hong Kong has already taken very strong actions to cut SO<sub>2</sub> emissions in past years, including the use of virtually sulphur free Euro V diesel as vehicular fuel, the use of ultra-low sulphur diesel across all industrial and commercial processes, retrofitting power plants with flue gas de-sulphurisation devices and continual tightening of SO<sub>2</sub>

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<sup>[1]</sup> “WHO Air Quality Guidelines Global Update 2005” published in 2006, p.5.

<sup>[2]</sup> “WHO Air Quality Guidelines Global Update 2005” published in 2006, p.6.

<sup>[3]</sup> “WHO Air Quality Guidelines Global Update 2005” published in 2006, p.5.

emission cap of the power sector. Both ambient and roadside SO<sub>2</sub> are essentially the same as our background level observed at Tap Mun where it is free of any local emission sources.

The 10-minute SO<sub>2</sub> relates mainly to the direct and transient impingement of SO<sub>2</sub> emissions from major stationary fuel-combustion sources such as factories, power plants, etc. to their receptors in proximity. By reducing proactively the sulphur content of our fuel, we consider it practicable and necessary to achieve the ultimate WHO AQG of 500 µg/m<sup>3</sup>.

For PM, the air quality monitoring data and assessment by local academics show that the PM concentration in Hong Kong is subject to very strong regional influence. Widespread exceedances of the WHO AQGs for PM have been recorded even at Tap Mun where it is free of any local emission sources. Our PM measurement shows that Tap Mun has also significantly exceeded the standard tighter than the proposed ones (i.e., IT-3). It would be difficult to significantly bring down PM concentration levels in Hong Kong without an overall reduction of the concentration levels in the region as a whole. Taking this into account, we proposed adopting WHO IT-1 of 35 µg/m<sup>3</sup> and 75 µg/m<sup>3</sup> for annual and 24-hour PM<sub>2.5</sub> respectively. With PM<sub>2.5</sub> accounts for about 70% of PM<sub>10</sub> found in Hong Kong, it is proposed to tighten the annual and 24-hour PM<sub>10</sub> objectives from 55 µg/m<sup>3</sup> and 180 µg/m<sup>3</sup> to the WHO IT-2 of 50 µg/m<sup>3</sup> and 100 µg/m<sup>3</sup> respectively.

Same as PM, O<sub>3</sub> in Hong Kong is also strongly affected by regional air pollution. It is our major air pollutant of public health concern that is not in compliance with the current AQOs in the general ambient air of Hong Kong.

O<sub>3</sub> is not a pollutant directly emitted from man-made sources but formed by photochemical reactions of other primary pollutants such as NO<sub>x</sub> and volatile organic compounds (VOCs) under sunlight. As it takes several hours for these photochemical reactions to take place, O<sub>3</sub> recorded locally could be attributed to VOC and nitrogen oxides (NO<sub>x</sub>) emissions from places afar. It is appropriate to adopt the WHO IT-1 of 160 µg/m<sup>3</sup> as the new AQO for O<sub>3</sub>.

- (d) When and how the 22 air quality improvement measures referred to in Appendix C to the Audit Report would be taken forward to achieve the 2014 AQOs for each of the seven air pollutants.**

A progress report on the implementation of the 22 air quality improvement measures is at Annex 1.

**(e) Estimated timeframe for Hong Kong to meet the Air Quality Guidelines issued in 2006 by the World Health Organization.**

It is our long-term objective to fully achieve the ultimate WHO AQGs. At present, Hong Kong has already achieved the WHO AQGs for Pb and CO.

We are committed to implementing additional measures to further reduce local emissions and work with Guangdong Provincial Government to tackle regional air pollution in order to bring down the pollution levels.

On 23 November 2012, we announced jointly with Guangdong Environmental Protection Department a new emission reduction plan for the Pearl River Delta (PRD) Region, which sets air pollutant emission reduction targets for both Hong Kong and PRD Economic Zone up to 2020.

Our air quality projection shows that, upon attainment of the new emission reduction targets, we would be able to broadly achieve the WHO AQGs for NO<sub>2</sub> and 10-minute SO<sub>2</sub> at the ambient level by 2020. For other pollutant measurements, we would be able to broadly meet the new AQOs by 2020. Through our efforts on the local and regional fronts, we will move progressively towards the long term goals of achieving the WHO AQGs as soon as possible. As pledged in our proposal to adopt the new AQOs, we will review progress in our regular review at a frequency of no less than every five years.

**(f) Public expenditure on improving air quality in Hong Kong as a percentage of Gross Domestic Product and how this compares with other major/world cities.**

The expenditure incurred by EPD in financial year (FY) 2011-12 on air programme was about HK\$ 566 M, accounting for about 23% of the total expenditure of the EPD and 0.03% of the GDP of 2011.

Besides providing expenditure on air programmes, the Government has also supported various air quality improvement initiatives through revenue forgone and compliance by stakeholders concerned, such as:

- (i) Tax incentive for environment-friendly petrol private cars: HK\$ 633 million (FY 2011-12)
- (ii) Tax incentive for environment-friendly commercial vehicles: HK\$ 154 million (FY 2011-12)
- (iii) Fuel duty foregone for supporting the use of EURO V diesel with virtually no sulphur content: HK\$ 2,018 million (FY 2011-12)

It should also be noted that the public expenditure reflects only a fraction of the Government's efforts to clean up the air of Hong Kong. Most of the emission reduction efforts were made through the mandatory control programmes, e.g., the imposition of stringent emission caps on power sector, implementing various energy saving measures to reduce electricity demands, upgrading the emission limits on vehicles, tightening the fuel sulphur content of commercial/industrial diesel fuel, prohibition of the import and manufacture of commercial and consumers products with excessive volatile organic compound contents.

We do not have the information on the public expenditures of other countries/economies on tackling air pollution as the percentage of their respective GDP for comparison. As the air pollution issues encountered by different countries and their control strategies are different, it is very difficult to make comparisons with other countries/economies.

## Update of Air Quality Improvement Measures

### 1. Emission Capping and Control

- (i) Increasing the ratio of natural gas in local electricity generation to 50% with additional emission abatement measures

*Progress: We have tightened the statutory emission caps on the power plants with effect from 2015. To comply with the emission caps, the power sector will have to maximize the use of gas-fired generation units, thereby raising the ratio of natural gas in local electricity generation to 50%, and prioritize the use of coal-fired generation units equipped with advanced emission control devices.*

*The Technical Memorandum for power plants requires us to review the emission caps every two years. The Third Technical Memorandum was endorsed by the LegCo on 21 November 2012. It will further tighten the emission caps for power plants starting from 2017. We will continue to examine the scope for further tightening the emission caps in the light of the future fuel mix for the power sector and advancement in emission control technologies.*

- (ii) Early retirement of aged / heavily polluting vehicles

*Progress: We completed a subsidy scheme in March 2010 to encourage the early replacement of pre-Euro and Euro I diesel commercial vehicles. Under the scheme, 17,000 vehicles were replaced with our grants, representing about 30% of all eligible vehicles at the commencement of the scheme.*

*We launched another subsidy scheme for Euro II diesel commercial vehicles in July 2010. As at end October 2012, about 14% of the eligible owners took up the incentive and replaced their aged vehicles.*

*We are examining how to phase out these heavily polluting vehicles more effectively and will consult stakeholders when specific proposals have been drawn up.*

- (iii) Earlier replacement of Euro III commercial diesel vehicles with models meeting latest Euro standards

*Progress: The oldest batch of Euro III vehicles will be more than 10 years old by 2012. We will consider introducing suitable measures to*

*accelerate their replacement.*

*We are examining how to phase out these heavily polluting vehicles more effectively and will consult stakeholders when specific proposals have been drawn up.*

- (iv) Wider use of hybrid / electric vehicles or other environment-friendly vehicles with similar performance

*Progress: Government has launched incentive schemes through First Registration Tax (FRT) concession to encourage the use of electric vehicles (EVs), environment-friendly petrol private cars (including hybrid private cars) and environment-friendly commercial vehicles.*

*In respect of EVs, we have also been expanding the network of charging facilities and working closely with the manufacturers and dealers to encourage them to bring in their EVs into Hong Kong. As at August 2012, there are about 350 EVs in Hong Kong, increasing from 16 units in end 2009 and 74 in end 2010. The Government and the private sector have also jointly installed around 1,000 standard charging facilities all over the territory for public use.*

*There are currently 38 hybrid vehicle models available on the local market.*

*Up to end October 2012, we received about 43,300 applications for environment-friendly petrol private cars (which represented 20% of all private petrol cars newly registered from April 2007) and about 12,000 applications for environment-friendly commercial vehicles (which represented 41% of all commercial vehicles newly registered from April 2008).*

*As for franchised buses, the 2010-11 Policy Address announced the ultimate policy objective of having zero emission buses running across the territory. In this regard, additional requirements were included in the three bus franchises granted in April 2012 so that the bus companies concerned have to acquire the most environment-friendly buses that are technologically proven and commercially available when acquiring new buses in future, taking into account affordability of the companies and passengers. Similar requirements will be imposed on the three remaining bus franchises upon their expiry in 2016/17. Separately, Government has sought funding for franchised bus companies to procure six hybrid buses and 36 electric buses for trial to assess their performance in different conditions. We expect that the trial can start in 2014.*

*In addition, Government set up the \$300 million Pilot Green Transport Fund in March 2011 to encourage the transport sector to test out green and low-carbon transport technology (including hybrid/electric vehicles). Up to mid-November 2012, 37 applications were approved, which cover trials of electric buses, goods vehicles and taxis, and hybrid light buses and goods vehicles (amounting to a total subsidy of about \$87 million).*

(v) Use of 0.05% sulphur diesel for local vessels

*(Target to complete technical trial in Q1 2013 and, subject to findings of the trial, prepare legislation in mid 2013)*

*Progress: We completed a trial of local ferries using Ultra Low Sulphur Diesel (ULSD) (i.e., diesel with a maximum sulphur content of 0.005%) in August 2010. The trial confirmed the technical feasibility of ULSD as fuel for local ferries but there will be an increase in fuel cost largely due to the extra handling cost of providing ULSD to a very small number of local ferries. To reduce the cost implications and achieve greater environmental benefits, we have revised the proposal and are working with the local marine trades on a trial to ascertain the technical feasibility of reducing the sulphur content of marine light diesel sold in Hong Kong from the current maximum limit of 0.5% to 0.05%. The trial is expected to be completed in the first quarter of 2013. Subject to successful outcome of the trial, we plan to effect the reduced sulphur cap within 2013 at the earliest.*

(vi) Measures to reduce nitrogen oxides emissions from Government vessels

*Progress: Upon further evaluation, we have found that it would be more cost-effective to replace the existing engines with new ones that comply with the more stringent emission limits, particularly in respect of NOx. To ascertain the technical feasibility and better understand the technical implications, we are working on a trial to replace the existing engine of a government vessel and aim to commence the trial in the third quarter of 2013.*

(vii) Electrification of aviation ground support equipment (GSE)

*Progress: There are currently about 300 units of GSEs and vehicles running on electricity at the Hong Kong International Airport. To facilitate the use of electric GSEs and vehicles in the coming years, the Airport Authority has installed additional electric charging stations and put in place new vehicle purchase policy which favours the use of electric vehicles. The pace of GSE replacement would depend on factors such as the availability of electric alternatives, age and maintenance conditions of the GSE fleet, the financial position of operators and the business outlook.*



(viii) Emission control for off-road vehicles / equipment

*Progress: We have completed the stakeholders' consultation on our revised control proposal for imposing emission standards for newly imported non-road mobile machinery that will be used locally. We are preparing the necessary legislative amendments with a view to effecting the proposed control regime towards end 2013.*

(ix) Strengthening volatile organic compounds (VOC) control

*Progress: Legislation on tightened control has been fully implemented. The new statutory VOC content requirements of 14 types of vehicle refinishing paint, 36 types of vessel paint and pleasure craft paint and 47 types of adhesives and sealants have been implemented in phases with effect from 1 January 2010. The last phase came into operation on 1 April 2012.*

## **2. Traffic Related Measures**

(x) Low emission zones

*Progress: We have identified three locations for establishing pilot low emission zones (LEZ) at the busy corridors in Causeway Bay, Central and Mong Kok. Starting from 2011, the franchised bus companies have accorded priority to the deployment of low-emission buses (i.e. those meeting the emission level of a Euro IV or above bus) to routes serving the pilot LEZs as far as possible. Our target is to have only low-emission buses in these zones by 2015.*

(xi) Car-free zone / pedestrianisation scheme

*Progress: Till September 2012, there are seven full-time pedestrian streets, 31 part-time pedestrian streets and over 40 traffic calming streets in Hong Kong. The introduction of further pedestrian streets will be increasingly challenging due to limited road space against competing needs and street management considerations. Our previous consultations with District Councils show that they have hesitations in further expanding the current pedestrianisation scheme. Some District Council members, however, are receptive to the option of adjusting the operation hours of the existing pedestrian streets to maximize the benefits of the scheme.*

(xii) Bus route rationalization

*Progress: It is an on-going plan of Transport Department (TD) to review the route development programmes (RDPs) of franchised bus operators each year and rationalization is one of the major areas that needs to be tackled in consultation with the affected District Councils. The objective is to balance the public demand for bus services, the need to improve road traffic and the environment. The Government will continue to work with the District Councils and the franchised bus companies to pursue bus route rationalization so as to reduce the number of bus trips and bus stopping particularly on busy corridors.*

### **3. Infrastructure Development and Planning**

(xiii) Expand rail network

*Progress: Construction works have commenced for West Island Line, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, South Island Line (East), Kwun Tong Line Extension and Shatin to Central Link*

(xiv) Develop cycle tracks in new development areas

*Progress: The Government's long standing policy is to promote the use of public transport system as the main transport mode and to encourage the public to make use of the highly efficient mass transit transport systems and other public transport services. Due to safety considerations, the Government does not encourage the public to use bicycle as a transport mode in urban areas. Compared with urban areas, new towns in the New Territories or new development areas, where traffic density is relatively low, have better conditions for using bicycle for short-distance travel. Civil Engineering and Development Department (CEDD) is taking forward the development of a cycle track network in the New Territories by phased interconnection of the cycle tracks in various new towns between Ma On Shan, Sheung Shui, Yuen Long, Tuen Mun and Tsuen Wan. It is expected that the Sheung Shui – Ma On Shan section will be completed in 2013. CEDD has recently commenced detailed design and site investigation works for the proposed cycle track between Tsuen Wan and Ting Kau. For existing cycling facilities in new towns, TD commissioned a consultancy in May 2010 to carry out a study to examine measures to improve the existing cycle track networks and bicycle parking facilities. The study is expected to be completed by early 2013.*

### **4. Energy Efficiency Measures**

(xv) Mandatory implementation of the Building Energy Codes

*Progress: The Buildings Energy Efficiency Ordinance was enacted and has taken full effect on 21 September 2012. We would continue to keep under review technological developments and tighten the efficiency standards where appropriate.*

(xvi) Energy efficiency standards for domestic electrical appliances

*Progress: The Energy Efficiency (Labelling of Products) Ordinance has been implemented to cover compact fluorescent bulbs, air-conditioning units, refrigerators, dehumidifiers and washing machines. We will continue to review the scope of the products under the Ordinance.*

(xvii) Light-emitting diode (LED) or equivalent alternatives for traffic signal / street lighting

*Progress: Replacement of all conventional traffic signal at 1,800 road junctions with LED light is underway and the works are expected to be completed by end 2012. Trial schemes of LED street lights for minor roads and light tubes at roadside and on footbridges are in progress to assess their cost/benefit and suitability in Hong Kong's outdoor environment. Their performance and cost-effectiveness will be reviewed after completion of the trial in 2012/13.*

(xviii) Tree planting / skyrise greening

*Progress: Government has all along been promoting active planting and new greening technologies such as skyrise greening (roof greening and vertical greening) for government premises. Development Bureau will continue to formulate and promulgate standards, guidelines and best practices related to greening, landscape planning and design and tree management; and carry out public education and community involvement activities to enhance public awareness of greening, landscape and tree management issues.*

(xix) District cooling system for Kai Tak Development

*Progress: Construction works are underway for Phases I and II of the district cooling system for Kai Tak Development. Phase III of the district cooling system will be subject to the progress and development programme of the Kai Tak Development.*

## **5. Measures outside the AQOs Review**

(xx) Retrofit Euro II and III franchised buses with selective catalytic reduction (SCR)

devices to reduce their NOx emissions

*Progress: Government and franchised bus companies commenced a trial in September 2011 to retrofit Euro II and III buses with SCR to reduce their nitrogen oxides emissions. Together with the diesel particulate filters already installed on the buses, this could upgrade the emission performance of the buses to the level of Euro IV bus or above. Subject to satisfactory trial results, Government will fully fund the retrofit of the devices on Euro II and III buses.*

- (xxi) Introduce a more stringent regime to control emissions from LPG and petrol vehicles through remote sensing equipment and dynamometer tests

*Progress: We completed the stakeholders' consultation in January 2012 and reported the findings to LegCo in February 2012 with a view to implementing the tightened control regime towards 2014. We are now making preparation to help owners of LPG taxis and light buses to replace the catalytic converters in their vehicles with a one-off subsidy to improve their emission performance. The replacement could commence in July 2013 and would take about 9 months. Immediately after its completion, we will deploy remote sensing equipment to catch those LPG or petrol vehicles emitting excessively for repair by their owners.*

- (xxii) Reduce emissions from the marine sector by adopting cleaner fuels for local vessels, requiring ocean-going vessels (OGVs) to switch to cleaner fuels while berthing at PRD ports and setting up an Emission Control Area (ECA) in PRD waters over the longer term.

*Progress: We are discussing the proposals with the governments of Guangdong, Shenzhen and Macao.*

本署檔號 ( ) in EP 351/A12/2  
**OUR REF:**  
 來函檔號  
**YOUR REF:** CB(4)/PAC/R59  
 電話  
**TEL. NO.:** (852) 2594 6401  
 圖文傳真  
**FAX NO.:** (852) 2827 8040  
 電子郵件  
**E-MAIL.:** daveho@epd.gov.hk  
 網址:  
**HOME PAGE:** <http://www.epd.gov.hk>

**Environmental Protection Department**

**Headquarters**  
 33/F, Revenue Tower,  
 5 Gloucester Road,  
 Wan Chai, Hong Kong.



環境保護署總部

香港  
 灣仔告士打道五號  
 稅務大樓三十三樓

26 November 2012

(By fax 2840 0716)

Public Accounts Committee  
 Hong Kong Special Administrative Region of the People's Republic of China  
 Legislative Council Complex,  
 1 Legislative Council Road, Central  
 Hong Kong  
 (Attn: Ms. Mary SO)

Dear Ms SO

Public Accounts Committee  
 Consideration of Chapter 1 of the Director of Audit's Report No. 59  
 Monitoring and reporting of air quality

I refer to your letter dated 21 November 2012, seeking for information on ambient concentration levels of nitrogen dioxide (NO<sub>2</sub>) and respirable suspended particulates (PM<sub>10</sub>) in neighbouring cities/countries such as Shanghai and Singapore in 2011. Please find a table below showing the data of Shanghai and Singapore on top of the 3 cities mentioned in Chapter 1 of the Director of Audit's Report No. 59.

Ambient annual concentration of PM<sub>10</sub> and NO<sub>2</sub> (ug/m<sup>3</sup>) in 2011

	Hong Kong	Shanghai	Singapore	New York	Sydney	London
PM <sub>10</sub>	48	80	27	19	15	24
NO <sub>2</sub>	53	51	25	39	14	36

Please note that some cities such as New York and London only report the pollutant concentration levels for individual air quality monitoring stations but not the whole city. We understand that the Audit Commission derived the annual pollutant concentrations of these cities by taking the average of the concentration data from all of their stations.

We would like to draw Members' attention to the limitations of making direct comparison of the monitoring data of different cities because different measurement methodologies could be used by different cities. In this regard, the WHO has advised that there are limitations in comparing air quality data across different places as there could be variations in the positioning of monitoring stations and measurement methodology for different places. To illustrate the limitations, NO<sub>2</sub> was measured only at two ambient air quality stations in New York City while the pollutant is monitored at all the 11 ambient and three roadside stations in Hong Kong. In addition, no station in Manhattan of New York has measured NO<sub>2</sub> since the closure of the only station that measured the pollutant in 2008. Before closure, the station registered NO<sub>2</sub> level at 64 ug/m<sup>3</sup> in 2007, which was similar to that measured in the urban areas in Hong Kong. In contrast, all our air quality monitoring stations measured NO<sub>2</sub> and quite a number of them are sited in urban areas with heavy traffic.

Yours Sincerely



(Dave HO)

Principal Environmental Protection Officer  
for Director of Environmental Protection

c.c. Public Accounts Committee (fax no. 2840 0716)

Secretary for Financial Services and the Treasury (fax no. 2147 5239)

Director of Audit (fax no 2583 9063)

本署檔號 ( ) in EP351 /A/12 Pt.2  
**OUR REF:**  
 來函檔號  
**YOUR REF:** CB(4)/PAC/R59  
 電話  
**TEL. NO.:** (852)2594 6401  
 圖文傳真  
**FAX NO.:** (852)2827 8040  
 電子郵件  
**E-MAIL.:** daveho@epd.gov.hk  
 網址:  
**HOME PAGE:** <http://www.epd.gov.hk>

**Environmental Protection Department**

**Headquarters**  
 33/F, Revenue Tower,  
 5 Gloucester Road,  
 Wan Chai, Hong Kong.



**環境保護署總部**

香港  
 灣仔告士打道五號  
 稅務大樓三十三樓

20 December 2012  
 (By fax 2840 0716)

Miss Mary SO  
 Clerk, Public Accounts Committee  
 Legislative Council Secretariat  
 Legislative Council Complex  
 1 Legislative Council Road  
 Central, Hong Kong

Dear Miss SO

**Public Accounts Committee**  
**Consideration of Chapter 1 of the Director of Audit's Report No. 59**  
**Monitoring and reporting of air quality**

Please find the attached information as requested in your letter dated 14 December 2012.

Yours sincerely,

p.p. (Dave HO)

for Director of Environmental Protection

Encl. (4 pages)

c.c. Secretary for Financial Services and the Treasury (fax no. 2147 5239) w/encl.  
 Director of Audit (fax no. 2583 9063) w/encl.

**(a) Precautionary advices to the public in the event of very high or severe Air Pollution Index (API), and the various means through which the specific precautionary advices are disseminated to the public**

If the API is at very high or severe level, i.e., above 100, we will disseminate the precautionary advice at Annex through the following channels:

1. EPD's website;
2. mobile applications, i.e., GovHKNotifications;
3. interactive voice recording system at 2827 8541;
4. hourly reports via Information Services Department to the media including televisions, radios and the newspapers;
5. emails to Education Bureau and other Government departments so that they can inform their respective stakeholders; and
6. press release in case of prolonged and widespread very high API incidents.

Moreover, API information is also provided at the display boards at the entrances of Mass Transit Railway stations.

**(b) Past statistics on the number of days with API exceeding 200 from 2007 to 2011**

From 2007 to 2011, there were only three days in which the API exceeded 200. Details are in the table below.

No. of days with API exceeding 200 at any stations					
	2007	2008 <sup>#</sup>	2009	2010*	2011
General	0	1	0	2	0
Roadside	0	0	0	2	0
Overall	0	1	0	2	0
# The incident happened in July 2008 and was caused by regional photochemical smog with ozone as the culprit pollutant.					
* The incident happened in March 2010 when Hong Kong was affected by a dust plume originated from Northern China.					

**(c) Timetable for implementing the new API reporting system, including the timing for bringing to the attention of the Legislative Council Environmental Affairs Panel the consultant report on the new API reporting system**

We have posted the consultant report at our website and will send a copy to the LegCo Environmental Affairs Panel shortly.

[http://www.epd.gov.hk/epd/english/environmentinhk/air/studyrrpts/air\\_studyrrpts.html](http://www.epd.gov.hk/epd/english/environmentinhk/air/studyrrpts/air_studyrrpts.html)

Our plan is to report the findings and recommendations of the study on the review of API system to the LegCo's Environmental Affairs Panel in early 2013 and to consult the stakeholders in parallel on the necessary preparatory work such as development of a system



for computing and disseminating the new API information, development of guidelines for schools and key stakeholders on the response to high pollution events as well as publicity of the new system.

**(d) Annual expenditure to be incurred for using a mobile device to measure concentration levels of major air pollutants**

The key objectives of air quality measurements are to assess compliance with air quality objectives that comprise both short-term (i.e. hourly to daily) limits and long-term (i.e. yearly) limits and air quality trends. It is an established international practice to gather the air quality data through a network of fixed air monitoring stations which use sophisticated instruments coupled with vigorous quality assurance programmes. Due to practical difficulties and constraints, portable or mobile devices are not suitable for these long-term air quality measurements. However, they may be used for short-term ad hoc studies and the cost will depend on the types of instruments used and the duration of measurements.

**(e) What air quality information and related statistics are still not accessible to the public or not up-to-date on the website of the Department of Environmental Protection as referred to in paragraph 4.14 (a) and (b) of the Audit Report**

We have already updated the following webpages in the light of the observations in paragraph 4.14(a) and (b) of the Audit Report and provided more user-friendly information via our website.

- Overview of Air Programme  
([http://www.epd.gov.hk/epd/english/environmentinhk/air/air\\_maincontent.html](http://www.epd.gov.hk/epd/english/environmentinhk/air/air_maincontent.html))
- AQO sub-section  
([http://www.epd.gov.hk/epd/english/environmentinhk/air/air\\_quality\\_objectives/air\\_quality\\_objectives.html](http://www.epd.gov.hk/epd/english/environmentinhk/air/air_quality_objectives/air_quality_objectives.html))
- Clean the air at roadside  
([http://www.epd.gov.hk/epd/english/environmentinhk/air/prob\\_solutions/cleaning\\_air\\_atroad.html](http://www.epd.gov.hk/epd/english/environmentinhk/air/prob_solutions/cleaning_air_atroad.html))
- Past API records  
(<http://www.epd-asg.gov.hk/english/pastapi/pastapie.html>)
- Emission Inventory  
([http://www.epd.gov.hk/epd/english/environmentinhk/air/data/emission\\_inve.html](http://www.epd.gov.hk/epd/english/environmentinhk/air/data/emission_inve.html))

## Annex : Health Advice for API

Air Pollution Level	API	Advice to General Public		Additional Advice to Children and the Elderly		Additional Advice to Outdoor Workers
		General API	Roadside API	General API	Roadside API	General and Roadside API
Severe	201-500	<p>Persons with existing heart or respiratory illness are advised to avoid physical exertion and outdoor activities.</p> <p>The general public is advised to reduce physical exertion and outdoor activities. They are also advised to seek advice from a medical doctor before participating in sport activities and take more breaks during the activities.</p>	<p>Persons with existing heart or respiratory illness are advised to avoid staying at roadsides with heavy traffic and surrounded by tall buildings in urban areas and new towns.</p> <p>The general public is advised to avoid prolonged stay at roadsides with heavy traffic and surrounded by tall buildings in urban areas and new towns, and reduce physical exertion in such areas as far as possible.</p>	Children and the elderly are advised to avoid physical exertion and outdoor activities.	Children and the elderly are advised to avoid staying at roadsides with heavy traffic and surrounded by tall buildings in urban areas and new towns.	<p>Employers are advised to assess the risk of outdoor work and take appropriate preventive measures to protect the health of their employees, e.g. reducing physical exertion with the use of mechanical aids and scheduling suitable rest breaks.</p> <p>Outdoor workers are advised to seek advice from a medical doctor if they are in doubt of their health condition or suffer discomfort, and inform their employers of the medical advice for suitable work arrangements to be worked out.</p>
Very High	101-200	<p>Persons with existing heart or respiratory illnesses are advised to reduce physical exertion and outdoor activities. They are also advised to seek advice from a medical doctor before participating in sport activities and take more breaks during the activities.</p>	<p>Persons with existing heart or respiratory illnesses are advised to avoid prolonged stay at roadsides with heavy traffic and surrounded by tall buildings in urban areas and new towns, and reduce physical exertion in such areas as far as possible.</p>	Children and the elderly are advised to reduce physical exertion and outdoor activities.	Children and the elderly are advised to avoid prolonged stay at roadsides with heavy traffic and surrounded by tall buildings in urban areas and new towns, and reduce physical exertion in such areas as far as possible.	<p>Employers are advised to assess the risk of outdoor work involving heavy manual work and take appropriate preventive measures to protect the health of their employees, e.g. reducing physical exertion with the use of mechanical aids and scheduling suitable rest breaks.</p> <p>Outdoor workers with existing heart or respiratory illnesses are advised to seek advice from a medical doctor if they are in doubt of their health condition or suffer discomfort, and inform their employers of the medical advice for suitable work arrangements to be worked out.</p>

Air Pollution Level	API	Advice to General Public		Additional Advice to Children and the Elderly		Additional Advice to Outdoor Workers
		General API	Roadside API	General API	Roadside API	General and Roadside API
High	51-100	No immediate response action is suggested. Long-term effects may, however, be observed if exposed at such level persistently for months or years.		Nil		Nil
Medium	26-50	No response action is required.		Nil		Nil
Low	0-25	No response action is required.		Nil		Nil
As the health effects on individuals may vary, you should seek advice from a medical doctor if you are in doubt or suffer discomfort. If you are a smoker, you should quit smoking now!						

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**環境保護署總部**

香港  
 灣仔告士打道五號  
 稅務大樓三十三樓

28 December 2012  
 (By fax 2840 0716)

Miss Mary SO  
 Clerk, Public Accounts Committee  
 Legislative Council Secretariat  
 Legislative Council Complex  
 1 Legislative Council Road  
 Central, Hong Kong

Dear Miss SO

**Public Accounts Committee**  
**Consideration of Chapter 2 of the Director of Audit's Report No. 59**  
**Implementation of air quality improvement measures**

Thank you for your letter dated 17 December 2012 on the captioned.

Please find enclosed our responses to the questions. If you have any question, please feel free to contact me or our Mr. K.W. Fong at 2594 6412.

Yours sincerely,

(PANG Sik-wing)

for Director of Environmental Protection

Encl. (4 pages)

c.c. (w/encl.) Secretary for Development (fax no. 2151 5303)  
 Secretary for Transport and Housing (fax no. 2537 6519)  
 Commissioner for Transport (fax no. 2598 5575)  
 Director of Marine (fax no. 2854 9210)  
 Secretary for Financial Services and the Treasury (fax no. 2147 5239)  
 Director of Audit (fax no. 2583 9063)

**Public Accounts Subcommittee**  
**Consideration of Chapter 2 of the Director of Audit's Report No. 59**  
**Implementation of air quality improvement measure**

- (a) **The number of liquefied petroleum gas (“LPG”) stations which will come on stream in the next few years and the location of these stations.**

At present, there are 12 designated LPG filling stations and 49 petrol-cum-LPG filling stations throughout the territory. We are going to increase the proportion of LPG nozzles in petrol-cum-LPG filling stations up to 25% where the site conditions and safety requirements permit upon the expiry of the current lease of such stations. The number of petrol-cum-LPG filling stations or petrol filling stations with current land leases to be expired up to 2017 that are also suitable for provision of LPG refilling services are tabulated below:

<b>Year of the expiry of current land lease</b>	<b>Districts</b>	<b>No. of Petrol-cum-LPG Filling Station</b>
2013	Kowloon	1
	New Territories	1
2014	Hong Kong	1
2015	New Territories	1
2016	Kowloon	1
	New Territories	2
2017	New Territories	1
2018	Kowloon	1
	New Territories	1
<b>Total</b>		<b>10</b>

In view of the shortfall of LPG filling facilities on Hong Kong Island, we have identified two potential sites for setting up petrol-cum-LPG filling stations, at Fung Mat Road, Western District and Tin Wan, Southern District respectively. The Central and Western District Council has objected to the former due to the development of waterfront consideration. As for the latter, it is currently used as a temporary works area for a sewage project and will be available around 2014. Subject to the support of the Southern District Council, the site can be developed into a petrol-cum-LPG

station in 2016 the earliest.

- (b) Reasons why only 66% of public light buses are fuelled by LPG, and the measures which will be taken by the Administration to turn the remaining 34% of public light buses into LPG or Euro V ones and the time targets for implementing these measures.**

Public light buses, especially green minibuses, are operating on fixed routes and/or schedules. Some of them are operating in areas not serviced by LPG filling stations and hence have greater difficulties in using LPG vehicles. Hence, only two-third of public light buses are fuelled by LPG.

The Government has a standing policy since 2000 to expand the LPG filling network. We require the provision of LPG refilling nozzles at the petrol filling stations in the land sales programme subject to the fulfillment of safety requirements. Under this policy, the number of LPG filling stations has increased from 53 in 2005 (when the LPG public light bus incentive scheme ended), to 61 as at today. During this period, the proportion of LPG vehicles in the public light bus fleet has increased from 54% to 66%. We will continue to expand the LPG filling network subject to the fulfillment of safety requirements, so as to further encourage public light buses to use LPG.

- (c) Reasons why the participation rates of the 2007 one-off grant scheme to subsidise the replacement of pre-Euro and Euro I diesel commercial vehicles into Euro IV vehicles (“the 2007 Grant Scheme”) and of the 2010 one-off grant scheme to subsidise the replacement of Euro II diesel commercial vehicles into Euro IV or V vehicles are much lower than those of the 2000 one-off grant scheme to subsidise the replacement of diesel taxis onto LPG ones and of the 2002 one-off grant scheme to subsidise the replacement of diesel public light buses into LPG ones.**

The high take-up rates under the LPG taxi incentive scheme and LPG public light bus incentive scheme as compared with those of heavily polluting diesel commercial vehicles are mainly due to the substantial savings in fuel costs after the taxis and public light buses switch from the use of diesel to LPG. In the case of taxis, the annual saving could be over

\$40,000 when the incentive scheme was launched in 2000. Besides, we have also mandated since August 2001 that all new taxis will have to use LPG or petrol vehicles. The above fuel cost saving incentives and mandatory measure together had prompted virtually all taxi owners to make use of the subsidy to replace their diesel taxis with LPG ones.

**(d) Reasons why no consideration were given to further extending the 2007 Grant Scheme (which expired on 31 March 2010) and to improving the attractiveness of the Scheme, such as increasing the level of the subsidy, given that only 29% of the pre-Euro and Euro I diesel commercial vehicles were replaced under the Scheme.**

During the implementation of the 2007 Grant Scheme for pre-Euro and Euro I diesel commercial vehicles, we had been monitoring closely the participation rate and the feedback from the vehicle owners. The participation rate was low because it was a voluntary scheme and there was no “sticks” to support the scheme. In November 2008, we concluded that the voluntary replacement scheme could not be effective without disincentives and hence proposed to the Legislative Council’s Panel on Environmental Affairs (EA Panel) to increase the licence fees of old diesel commercial vehicles. However, the proposal was not supported by the LegCo and the transport trade. In March 2010, we also put forward a proposal to the LegCo Subcommittee on Improving Air Quality with a view to introducing disincentives but the proposal was also not supported. We are now examining how to phase out more effectively heavily polluting diesel commercial vehicles and will consult the relevant stakeholders once a proposal is worked out. We believe that a regulatory-cum-incentive approach is necessary to make the exercise successful.

**(e) Whether consideration would be given to re-introducing the 2007 Grant Scheme.**

We are examining how to phase out more effectively heavily polluting diesel commercial vehicles and will consult the relevant stakeholders when a proposal is worked out. We believe that a regulatory-cum-incentive approach is necessary to make the exercise successful.

- (f) Lessons learnt to effectively reduce emissions from diesel commercial vehicles, including the implementation of the four schemes for replacing high-polluting diesel commercial vehicles referred to in paragraph (c) above, the measures that have been/will be taken by the Administration to replace high-polluting diesel commercial vehicles, in particular pre-Euro, Euro I and Euro II diesel commercial vehicles, and the time targets for implementing these measures.**

To phase out more effectively heavily polluting diesel commercial vehicles, we need a combination of incentives and disincentives. We are now devising a new regulatory-cum-incentive strategy, having regard to the prudent use of public finance, the polluter pays principle, experiences in the previous exercise and the need to bring early improvement of roadside air quality for better protecting public health. We will consult the relevant stakeholders once a proposal is worked out.

- (g) Measures that will be taken by the Administration to monitor the compliance of the new air quality objectives to be adopted in 2014 by government projects.**

When the proposed new Air Quality Objectives (AQOs) come into operation, they will become statutory criteria for assessing air quality under the Environmental Impact Assessment Ordinance (Cap.499) (EIAO). Once the new AQOs are in force, all designated projects from the public and private sectors must follow the statutory requirements under the EIAO based on the new AQOs.



本署檔號 Our ref: TD BR/1-55/6  
來函檔號 Your ref: CB(4)/PAC/R59  
電話 Tel.: 2829 5320

By fax (2840 0716) and  
E-mail(sywan@legco.gov.hk)

21 December 2012

Public Account Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Attn.: Ms Mary SO

Dear Ms SO,

**Public Account Committee**  
**Consideration of Chapter 2 of the Director of Audit's Report No. 59**  
**Implementation of air quality improvement measures**

Thank you for your letter dated 17 December 2012. I would like to provide our responses to your questions as follows :

**(a) Measures which have been/will be taken by the Administration to reduce emissions from franchised buses and the time targets for implementing these measures**

To reduce emissions from franchised buses, the Administration has taken and will take the following measures :

- (i) **Bus Rationalisation** - Bus service rationalisation is an on-going exercise in response to changing passenger demand and the opening of new transport infrastructure. The Transport Department (TD) will continue to pursue bus service rationalisation and will make use of the commissioning of new railway lines in putting forward large-scale rationalisation proposals. The TD will, in collaboration with the Environmental Protection Department (EPD), step up efforts in reducing franchised bus trips; and formulate a better strategy for reducing franchised buses with more focus/emphasis on the environmental benefits to the society in consultation with franchised bus companies and related District Councils.

- (ii) **Bus-bus and bus-rail Interchange Schemes** - To avoid the introduction of excessive direct bus services, help relieve congestion and minimize the environmental impact on busy corridors, the TD encourages the bus companies to introduce more bus-bus and bus-rail interchange schemes and to offer the interchanging passengers with fare discounts. As at end September 2012, there were a total of about 248 bus-bus interchange schemes. Starting from 26 December 2012, the Tuen Mun Road Bus-Bus Interchange (BBI) located on Tuen Mun Road (Kowloon-bound) near Siu Lam Interchange will be commissioned. Bus passengers can interchange at the BBI from short-haul routes to long-haul routes destined for Sha Tin and areas on Kowloon side. The Administration will continue to explore more suitable sites for implementation of the interchange schemes.
- (iii) **Pilot Low Emission Zones (LEZs)** - We will increase as far as possible the ratio of low emission franchised buses (i.e. those meeting the emission level of Euro IV or above) running in the pilot LEZs in Causeway Bay, Central and Mongkok, with the target of having only low emission buses in these zones by 2015. The Government has been working with franchised bus operators to deploy more environmentally friendly buses on busy corridors.
- (iv) **Reducing bus emissions** - To improve roadside air quality, the Administration will continue to encourage franchised bus companies to take measures to reduce emissions, including retrofitting emission reduction device on their buses. At present, franchised bus companies have retrofitted Diesel Oxidation Catalysts (柴油催化器) on all Euro I buses and Diesel Particulate Filters (柴油粒子過濾器) on Euro II and III buses where technically feasible, in order to reduce particulate emissions.
- (v) **Trial of Retrofitting Selective Catalytic Reduction Device** - The Government is undertaking a trial jointly with the franchised bus companies on retrofitting Euro II and Euro III buses with Selective Catalytic Reduction (SCR) devices (選擇性催化還原器) since September 2011 to reduce emissions of nitrogen oxides. Retrofitting of SCR devices, together with the DPFs already installed on Euro II and Euro III buses, could upgrade the emission performance of these vehicles to Euro IV and Euro V level respectively. Subject to satisfactory trial results, the Government will fund the capital costs for retrofitting SCR devices on Euro II and Euro III franchised buses. EPD

will report the findings of the trial to the Panel on Environmental Affairs of the Legislative Council in January 2013. Subject to promising trial results and funding approval from the Legislative Council, we aim at completing, on a best endeavour basis, the large scale retrofit by 2015.

- (vi) **Trial of hybrid buses** - The Government will fund the full cost of procuring six hybrid buses for trial by the franchised bus companies. The trial aims to test the performance of hybrid buses in Hong Kong. The Kowloon Motor Bus (KMB) and the Citybus (CTB) / New World First Bus (NWFB) have already placed orders for the procurement of six hybrid buses, which are anticipated to be delivered to Hong Kong for trial in 2014. The trial will last for two years.
- (vii) **Trial of electric buses** - The Government will also fund the full cost of procuring 36 electric buses for trial by franchised bus companies. The trial aims to ascertain the readiness of electric buses to take up the role of conventional diesel buses in Hong Kong in terms of technical suitability, operational feasibility and financial affordability. The trial will help the franchised bus companies gather first-hand experience and knowledge for the possible wider application of electric buses in their bus fleets. The trial can also encourage electric bus manufacturers to provide suitable electric buses to meet the needs of the Hong Kong market. The franchised bus companies are now preparing the procurement of suitable electric buses. The trial is expected to commence in 2014 and will last for two years for assessing the operational efficiency and performance of the electric buses under local conditions.
- (viii) **Inspection of buses (annual / regular / surprise check)** - To reduce the black smoke emission from vehicles manufactured after 1 January 1990, the exhaust smoke limit was tightened in May 2008 from 60 to 50 Hartridge Smoke Unit in line with EPD's standard. The TD carries out annual inspections and spot checks on franchised buses to monitor the compliance of tightened smoke requirement.

**(b) whether consideration would be given to identifying suitable land to provide more bus interchanging facilities;**

In the light of the enhancement of bus network efficiency and the consequential environmental benefits, The TD has set up a number of BBIs at main tunnel portals throughout the years, for example, the Shing Mun Tunnel

portal and the Tai Lam Tunnel portal, where many bus routes observe. These BBIs thus provide passengers with a number of choices of bus services and enhance bus network efficiency. Consideration has been given to identifying suitable location to provide more BBIs. The BBI at Siu Lam in Tuen Mun which will be commissioned on 26 December 2012 is a case in point. With this BBI in place, passengers of Tuen Mun and along Castle Peak Road will have a convenient interchange point and a wider range of bus services to Kowloon and Shatin. Suitable facilities such as electronic information panels, shelters and benches, toilet facilities and vending machines etc are included to enhance comfort and convenience of interchanging passengers.

TD will continue to identify suitable lands to provide more BBIs and explore the possibility of setting up more BBIs at major public transport interchanges (PTIs) and road corridors wherever appropriate so as to enhance passenger convenience and bus network efficiency.

**(c) whether consideration would be given to reducing the serviceable life of franchised buses to, say, under the age of 15, to better control emissions from these buses;**

Under the current policy, franchised bus companies are required to operate their franchised bus services with buses under the age of 18, and have been replacing their serving buses accordingly. This arrangement has taken account of the maintenance, operational and financial capability of the bus companies and their obligations to provide a proper and efficient bus service to the public.

The proposal to reduce the serviceable life of franchised buses, which in effect means accelerating the pace of the bus replacement, will have impacts on bus operation and the financial position of bus companies. Besides, the proposal will exert pressure on bus fare increase which will not be accepted by the public. There are also views questioning whether it is cost-effective to phase out franchised buses pre-maturely. According to the current age distribution of the franchised bus fleet, there will be about 3,000 buses, representing 50% of the entire franchised bus fleet, to be retired between 2013 and 2017. All the retired buses will be replaced by new buses which have to meet the bus design and facilities requirements and the emission standards set by the TD and EPD respectively. In addition, suitable emissions reduction devices may be

installed as appropriate to upgrade the emission standards.

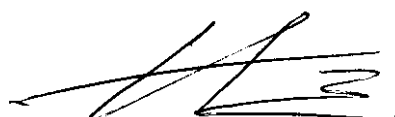
In balancing the bus companies/passengers affordability and environmental improvement, we consider that it would be more cost effective to reduce the emissions of franchised bus fleet through bus route rationalisation and retrofitting after-treatment devices on in-use franchised buses.

**(d) a copy of the Administration's paper to the affected District Council on rationalisation of bus route in which the health risks caused by vehicular emissions are incorporated in the paper.**

A sample copy of the Transport Department's consultation paper for consulting District Council annually on bus route development programmes is attached. The paper has outlined the environmental benefits of implementing bus rationalization proposals.

Thank you for your attention. Should you have any enquiry, please contact our Mr. Vincent Fan, Chief Transport Officer at 2294 2590.

Yours sincerely,



(HUI Kuen)

for Commissioner for Transport

- c.c. Secretary for the Environment (fax no. 2147 3287)
- Director of Environmental Protection (fax no. 2891 2512)
- Secretary for Development (fax no. 2151 5303)
- Secretary for Transport and Housing (fax no. 2537 6519)
- Director of Marine (fax no. 2854 9210)
- Secretary for Financial Services and the Treasury (fax no. 2147 5239)
- Director of Audit (fax no. 2583 9063)

**\*Note by Clerk, PAC:** *A sample of the Transport Department's consultation paper for consulting District Council in Chinese version only.*

**沙田區議會**  
**交通及運輸委員會**

**2007-2008 年度沙田區巴士路線發展計劃**

**目的**

本文件旨在向委員闡釋 2007 - 2008 年度沙田區的巴士路線發展計劃，及諮詢委員對有關計劃的意見。

**2007-2008 年度巴士路線發展計劃**

2. 2007-2008 年度的巴士路線發展計劃已經擬定，現列於附件 1 及 2，供各委員參閱。
3. 2007-2008 年度沙田區的巴士路線發展計劃包括下列措施：

爲使本區巴士路線更有效率地提供服務，並改善在繁忙地區，如旺角、尖沙咀、中環、灣仔及銅鑼灣等的交通情況及行人環境，九巴建議在本區實施路線重整計劃。另一方面，巴士公司同時建議在本區實施多項提升服務的項目，如加強班次及調配空調巴士提供服務等，以配合乘客需求。其中有關本區的巴士路線安排在附件 3 及附圖 1、2 及 3 內顯示，即：

- 九巴 70 號(上水 - 佐敦(匯翔道))：取消服務，提供新的轉乘優惠，詳情見附件 3。
- 九巴 72A 號(大圍車站 - 大埔工業邨)：位於沙田大圍車站的總站遷移至美田邨，見附圖 1。
- 九巴 86A 號(沙田圍 - 長沙灣(甘泉街))：往九龍方向改道繞經沙角街（與 87A 線總站遷移一併執行），見附圖 2。
- 九巴 87A 號(沙田圍 - 長沙灣(甘泉街))：總站由博康遷移至沙田圍（與 86A 線改道一併執行），見附圖 2。
- 隧巴 305 號(美田 - 上環)：總站遷移至美田邨，見附圖 3。

#### 策劃本區巴士路線發展計劃的考慮

4. 我們會按下列的長遠公共交通發展策略，繼續發展巴士路線的網絡：

(一) 鐵路是既環保又具效率的集體運輸交通工具，故此政府的交通運輸政策是發展鐵路作為本港公共客運系統的骨幹。在此前提下，我們提倡充分運用鐵路，以其他公共交通工具提供接駁服務作配合，並會繼續鼓勵專營巴士公司改善服務質素。專營巴士服務將會繼續在公共交通系統內，尤其是鐵路未能到達的地方，扮演重要的角色。至於其他公共交通工具，在整個運輸系統內，將繼續發揮輔助性的功能，與鐵路和專營巴士服務相輔相承；

(二) 在保護環境的前提下提供公共交通服務，以確保香港能夠持續發展。我們會採取適當措施，如適當地減低在繁忙交

通地區（包括旺角、尖沙咀、中環、灣仔及銅鑼灣）的巴士流量、改善巴士廢氣排放素質及增闢行人專區等，以減輕交通服務對環境造成的影響；及

（三）我們亦會進一步改善公共交通系統網絡，有效協調各種公共交通工具，並配合需求情況而重整服務，減少惡性競爭和服務重疊，以改善道路擠塞的情況。

5. 過去數年，本港鐵路網絡不斷擴展，包括 02 年底投入服務的地鐵將軍澳支線、03 年底投入服務的九廣西鐵、04 年 10 月由紅磡伸延至尖東的東鐵延線、04 年 12 月啓用的馬鞍山鐵路、05 年 8 月開始運作的迪士尼線，以及於 05 年 12 月伸延至博覽館站的一段機場快線。上述鐵路的落成顯著擴大了鐵路的服務範圍，因此我們必須作出有效的協調及重整服務以維持一個有效率的公共交通系統。展望未來兩年，上水至落馬洲支線將於 2007 年落成，而九龍南環線亦預計會在 2009 年完成。新的鐵路路線將會進一步提高本港公共交通系統的效率及載客量。

### **制定路線發展計劃的原則**

6. 運輸署及專營巴士公司在制定路線發展計劃時有以下的原則：

（一）基本上本港主要已發展地區均已有一至多條巴士線及其他輔助交通工具例如專線小巴提供服務。爲了配合人口變遷，我們會因應現有巴士服務的乘客量及需求調整班次。個別路線如果在繁忙時段最繁忙的半小時內的載客率達 100%及在該一小時內的載客率達 85%；或在非繁忙時段在



最繁忙的半小時內的載客率達 60%，我們會考慮增加車輛行走。在實施增加車輛項目時，首先考慮從其他重組項目減省的車輛中調配使用，視乎減省車輛的實施情況，有關改善項目才可相應實施。

- (二) 我們會按個別使用率不高的路線的運作情況實施各種措施以提高效率。有關措施包括調整現有路線、班次及運作時間表；縮短車程及將部份地區的巴士站密度降低至適當的水平等等。個別路線如果在繁忙時段最繁忙的半小時內的載客率少於 85%；或在非繁忙時段內的平均載客率低於 30%，我們會考慮減少車輛行走。但接駁鐵路、切合社會需求的路線或繁忙時段班次已低於 15 分鐘的巴士線則會按個別情況考慮。
- (三) 當個別班次不頻密的路線的使用率不高時，我們會考慮取消該路線，以提高整體巴士網絡的效率。例如個別路線在最繁忙的一小時內的載客率若少於 50%，而班次在繁忙時段只能維持在 15 分鐘或以上及非繁忙時段只能維持在 30 分鐘或以上。我們會在評估可供乘客選擇的替代服務、該替代服務的水平及車費等因素後，考慮提出取消該路線或與其他路線合併。
- (四) 市民十分關注交通擠塞、噪音及空氣污染等問題。為改善環境、巴士和道路網絡的效率，以及因應近年乘客對巴士服務的需求有所下降等，運輸署一直與專營巴士公司研究重組及重整巴士路線，特別是使用率低及在繁忙道路行走的路線，希望透過取消、合併、縮短巴士路線及調整班次，以減低在繁忙道路的巴士班次，藉此減少路邊空氣污染、噪音滋擾、交通擠塞和能源耗用量，更妥善地協調新鐵路

及巴士網絡整體運作效益。我們亦會同時推行其他措施，例如行人專用區及其他環境改善項目，以更全面地改善環境。

(五) 我們會鼓勵巴士公司在適當及可行的地點，設立更多轉乘鐵路或其他巴士線的計劃，讓乘客可享用優惠轉乘票價前往不同的目的地，並減低對長程及直接「點到點」巴士服務的需求，善用香港的路面空間及巴士資源以提高巴士網絡的效率，以及減少服務重疊造成的擠塞及環境問題。

(六) 如調整現有路線不能滿足需求及沒有可行的替代交通服務，我們會因應需求考慮加設新巴士線，接駁鐵路或在鐵路範圍以外的新巴士服務將予優先考慮。在批選新的巴士路線時，我們亦會考慮新路線對交通擠塞道路及主要幹道的影響，並盡量避免開設長程巴士路線或途經交通繁忙地區的路線，例如旺角、尖沙咀、中環、灣仔及銅鑼灣等。如新路線必須途經以上地區，巴士公司須減少其他路線途經該區的相等班次。此班次調撥安排亦適用於現有路線。

(七) 爲了提升服務質素及迎合乘客需求，各專營巴士公司添置新巴士時，其標準設備已包括空調系統、八達通系統、低地台出入口、環保引擎以及 2 乘 2 的座位。

7. 此外，在考慮巴士路線發展計劃時，運輸署及專營巴士公司亦會顧及下列因素：

(一) 本區現時及已計劃的公共交通服務；

- (二) 地區內的發展；
- (三) 基本運輸建設的落成；
- (四) 該項目對乘客的效益；
- (五) 該項目對路面擠塞情況及對環境方面的影響；
- (六) 該項目對經營者的影響；
- (七) 該項目對其他公共交通服務經營者的影響；
- (八) 該項目是否合乎經濟效益；及
- (九) 市民的意見及建議。

### 徵詢意見

8. 請各委員就 2007-2008 年度的計劃提供意見。

運輸署

二零零七年二月

**Legislative Amendment Exercises  
for Marine-related Legislation since 2009**

<b>Legislation</b>	<b>Description</b>
Merchant Shipping (Safety) (Amendment) Ordinance 2009	The purpose of the exercise was to enable the use of a direct reference approach in making subsidiary legislation under the Merchant Shipping (Safety) Ordinance (Cap. 369) to achieve timely implementation of marine safety-related international conventions, and to adapt, remove or replace outdated references with colonial connotation in order to bring these provisions into conformity with the Basic Law and with the status of Hong Kong as a Special Administrative Region of the People's Republic of China.
Merchant Shipping (Local Vessels) (Fee Concessions) Regulation 2009	The Financial Secretary announced a package of relief measures on 26 May 2009 to alleviate the burden of the people of Hong Kong and certain sectors that were most seriously affected by the economic downturn and human swine flu. One of the measures was to waive for one year the licensing fees in respect of vessel licences for Class I, II, III and IV (for Class IV vessels, only vessels issued with a certificate of inspection/survey under section 6(3) of Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Cap. 548D)). The purpose of the exercise was to give effect to the waiver.
Shipping and Port Control (Amendment) Regulation 2009, Merchant Shipping (Registration) (Fees and	The costing review exercise showed that there was room to reduce a total of 27 marine-related fees and charges under two fee groups, namely "Port and Light

<b>Legislation</b>	<b>Description</b>
Charges) (Amendment Regulation 2009, Merchant Shipping (Seafarers) (Fees) (Amendment) Regulation 2009, and Merchant Shipping (Local Vessels) (Fees) (Amendment) Regulation 2009	Dues and Related Activities for Ocean-going Vessels and River-trade Vessels” and “Hong Kong Shipping Register and Related Services”. The purpose of the exercise was to give effect to the fee reduction.
Bunker Oil Pollution (Liability and Compensation) Ordinance	The purpose of the exercise was to implement the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (the “Bunker Oil Convention”) in Hong Kong. The extension of the Bunker Oil Convention to Hong Kong reinforced our status as an international maritime centre. Through the implementation of the Bunker Oil Convention, Hong Kong now has a compensation regime for pollution damage caused by discharge or escape of bunker oil from non-tankers on par with that of most overseas jurisdictions. Specifically, the Ordinance ensures the payment of adequate, prompt and effective compensation for pollution damage. Moreover, the liability of the shipowners of non-tankers can be determined under a set of uniform international rules and procedures and be subject to a specified limit, thereby providing them with greater certainty.
Merchant Shipping (Local Vessels) (Typhoon Shelters) Regulation (Amendment of Schedule) Notice 2010	There were requests from some local vessel traders to relax the then restriction (50 meters) on the length of vessels using the Hei Ling Chau Typhoon Shelter. The purpose of the exercise was to amend the Schedule to the Regulation so that local vessels with

<b>Legislation</b>	<b>Description</b>
	length overall exceeding 50 metres but not more than 75 metres are allowed to enter and remain in the Hei Ling Chau Typhoon Shelter.
Shipping and Port Control (Amendment) Regulation 2011	The costing review exercise showed that there was room to reduce a total of 24 marine-related fees and charges under two fee groups, namely “Port and Light Dues and Related Activities for Ocean-going Vessels and River-trade Vessels” and “Hong Kong Shipping Register and Related Services”. The purpose of the exercise was to give effect to the fee reduction.
Merchant Shipping (Seafarers) (Fees) (Amendment) Regulation 2011	
Amendments to the Pilotage Ordinance (Cap 84)	<p>The purpose of the exercise is to make a number of amendments to the Pilotage Ordinance (Cap 84) to improve its operation in the light of experience and to give statutory backing to certain existing practices. The amendments concern allowing working pilot beyond the age of 65 who has satisfactorily fulfilled the examination as to his physical and mental fitness and his eyesight, to retain the same class of licence, until the statutory limit of 68 years of age; lifting the compulsory pilotage requirement for vessels under 3 000 gross tonnage proceeding to or from the container terminals; amending the location description of the existing pilotage station; and miscellaneous amendments.</p> <p>The LegCo Panel on Economic Development was consulted on the legislative proposals on 26 November 2012. The Bill will be introduced into LegCo in early 2013.</p>

Legislation	Description
<p>Amendments to the Merchant Shipping (Seafarers) Ordinance (Cap 478).</p> <p>Enactment of a new regulation under the Ordinance.</p> <p>Amendments to the :</p> <p>(i) Merchant Shipping (Seafarers) (Allotments) Regulation (Cap 478A);</p> <p>(ii) Merchant Shipping (Seafarers) (Health and Safety: General Duties) Regulation (Cap 478C);</p> <p>(iii) Merchant Shipping (Seafarers) (Hours of Work) Regulation (Cap 478D);</p> <p>(iv) Merchant Shipping (Seafarers) (Provisions and Water) Regulation (Cap 478E)</p> <p>(v) Merchant Shipping (Seafarers) (Ships' Doctors) Regulation (Cap 478H);</p> <p>(vi) Merchant Shipping (Seafarers) (Crew Accommodation) Regulation (Cap 478I);</p> <p>(vii) Merchant Shipping</p>	<p>The Maritime Labour Convention, 2006 (MLC) will come into force with effect from 20 August 2013. The purpose of the exercise is to implement the requirements of MLC adopted by the International Labour Organisation in relation to the working conditions and welfare of seafarers, and to establish a certification, inspection and enforcement mechanism to ensure that ships registered in Hong Kong and foreign ships entering Hong Kong waters comply with the standards of MLC. These requirements cover 14 areas, including minimum age, medical certification, qualifications of seafarers, seafarers' employment agreements, private recruitment and placement services, hours of work or rest, manning levels for the ship, accommodation, on-board recreational facilities, food and catering, health and safety and accident prevention, on-board medical care, on-board complaint procedures, and payment of wages.</p> <p>The LegCo Panel on Economic Development was consulted on the legislative proposals on 11 December 2012. The Bill will be introduced into LegCo in early 2013.</p>

<b>Legislation</b>	<b>Description</b>
<p>(Seafarers) (Crew Agreements, Lists of Crew and Discharge of Seafarers) Regulation (Cap 478L);</p> <p>(viii) Merchant Shipping (Seafarers) (Medical Examination) Regulation (Cap 478O);</p> <p>(ix) Merchant Shipping (Seafarers) (Repatriation) Regulation (Cap 478Q);</p> <p>(x) Merchant Shipping (Seafarers) (Safety Officials and Reporting of Accidents and Dangerous Occurrences) Regulation (Cap 478R);</p> <p>(xi) Merchant Shipping (Seafarers) (Medical Stores) Regulation (Cap 478X); and</p> <p>(xii) Merchant Shipping (Seafarers) (Fees) Regulation (Cap 478AB).</p>	



政府總部  
運輸及房屋局

運輸科  
香港添馬添美道2號  
政府總部東翼



APPENDIX 15

**Transport and  
Housing Bureau**

**Government Secretariat**

**Transport Branch**

East Wing, Central Government Offices,  
2 Tim Mei Avenue,  
Tamar, Hong Kong

本局檔號 Our Ref. THB(T)PML CR 8/10/10/31

來函檔號 Your Ref.

Port, Maritime and Logistics Development Unit  
港口航運及物流發展組  
Tel : (852) 3509 8161 Fax : (852) 2523 0030  
Web site: [www.thb.gov.hk](http://www.thb.gov.hk)

28 December 2012

Miss Mary SO  
Clerk to Public Accounts Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

By Fax (No. 2840 0716)  
and By Post  
(Total 2 page)

Dear Miss SO,


**Public Accounts Committee**  
**Public Hearing on Director of Audit's Report No. 59**  
**(Chapter 2 : Implementation of Emission Reduction Measures)**

Further to the reply by the Director of Marine dated 27 December 2012 on questions relating to the reasons for the delay in introducing legislative amendments for adopting the IMO 2010 Standards and the enforcement situation, we would like to add that the Transport and Housing Bureau will work closely with the Marine Department and the Department of Justice to expedite the legislative amendment process. We aim to consult the LegCo Panel on Economic Development by June 2013 on the amendment proposals for incorporating the IMO 2010 Standards in local legislation. Furthermore, in taking forward the legislative amendment exercise, the Transport and Housing Bureau will consider expanding the use of the direct reference approach in the relevant legislation as far as possible. This will enable our local legislation to follow the latest IMO Standards automatically and hence reduce the need for going through the legislative processes in view of the frequent updates of the IMO Standards.

..../2

Should PAC Members require any further information, please feel free to contact the undersigned.

Yours sincerely,



( Julina CHAN )  
for Secretary for Transport and Housing

c.c.

Secretary for the Environment	(Fax : 2147 3287)
Secretary for Development	(Fax : 2151 5303)
Director of Environmental Protection	(Fax : 2891 2512)
Director of Marine	(Fax : 2854 9210)
Commissioner for Transport	(Fax : 2598 5575)
Secretary for Financial Services and the Treasury	(Fax : 2147 5239)
Director of Audit	(Fax : 2583 9063)

政府總部  
發展局  
工務科

香港添馬政府總部



Works Branch  
Development Bureau  
Government Secretariat  
Central Government Offices, Tamar,  
Hong Kong

本局網址 Our Website: <http://www.devb.gov.hk>

本局檔號 Our Ref.: *in* DEVB(CR)(W) 515/83/04

來函檔號 Your Ref.: CB(4)/PAC/R59

電話 Tel No.: 3509 8277

傳真 Fax No.: 2801 5034

電郵 E-mail:

24 December 2012

Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road,  
Central, Hong Kong  
(Attn: Ms Mary SO)

Dear Ms SO,

**Public Accounts Committee**  
**Consideration of Chapter 2 of the Director of Audit's Report No. 59**  
**Implementation of air-quality improvement measures**

I refer to your letter dated 19 December 2012 requesting for information regarding non-road mobile machinery ("NRMM") and would like to respond as follows -

- (a) We will adopt a progressive approach to introduce the requirements of using NRMM units meeting specified environmental standards in public works contracts with due consideration to market availability, procurement time and cost of new NRMM units complying with the standards, remaining service life of existing NRMM units, effect on tender price of public works contracts and impacts to small to medium size contractors and owners owning NRMM units not complying with the specified environmental standards for use or renting purpose. We will also consult relevant stakeholders including contractor associations, NRMM trade and suppliers associations to work out the implementation details including the requirements to be stipulated in public works contracts.
- (b) We agree to consider feasibility of the proposal of giving extra merit

points to tenderers indicating the use of certain types of NRMM units meeting the specified environmental standards in public works contracts. We will raise the proposal with relevant stakeholders.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Jimmy P M Chan', written in a cursive style.

( Jimmy P M Chan )  
for Secretary for Development

c.c. Secretary for the Environment  
Director of Environmental Protection  
Secretary for Transport and Housing  
Commissioner for Transport and Housing  
Director of Marine  
Secretary for Financial Services and the Treasury  
Director of Audit

File Ref : EP CR 10/R4/01

## LEGISLATIVE COUNCIL BRIEF

### AIR POLLUTANT EMISSION REDUCTION PLAN UP TO 2020

#### INTRODUCTION

At the meeting of the Executive Council on 16 October 2012, the Council **ADVISED** and the Chief Executive **ORDERED** that the Administration should agree with the Guangdong Environmental Protection Department (GDEPD) on the following set of emission reduction targets for 2015 and 2020 respectively with 2010 as the baseline year :

Pollutant	Area	2010 Emission (tonnes)	Reduction Targets / Targeted Ranges (as compared with 2010)	
			2015	2020
Sulphur dioxide	Hong Kong	35,500	25 %	35 - 75%
	PRDEZ	507,000	16 %	20 - 35%
Nitrogen oxides	Hong Kong	108,600	10 %	20 – 30 %
	PRDEZ	889,000	18 %	20 – 40 %
Respirable suspended particulates	Hong Kong	6,340	10 %	15 – 40 %
	PRDEZ	637,000	10 %	15 – 25 %
Volatile organic compounds	Hong Kong	33,700	5 %	15 %
	PRDEZ	903,000	10 %	15 – 25 %

2. At the Hong Kong/Guangdong Joint Working Group on Sustainable Development and Environmental Protection (JWG) meeting on 23 November 2012 co-chaired by the Secretary for the Environment and the Director General of GDEPD, the emission reduction targets in the first paragraph above were endorsed.

#### JUSTIFICATIONS

##### Significance of the New Emission Reduction Plan

3. In his election manifesto, the Chief Executive has pledged that we will study and set medium and long-term objectives, and further adopt diversified measures to

reduce local air pollutant emissions to improve air quality to a level that can meet the new Air Quality Objectives (AQOs).

4. To tackle the regional air quality problem, we have been working in collaboration with GDEPD to implement a basket of measures to reduce emissions of four major air pollutants, namely, sulphur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), respirable suspended particulates (RSP) and volatile organic compounds (VOC), in Hong Kong and Pearl River Delta Economic Zone (PRDEZ). The two Governments agreed in 2002 to reduce the emissions of these pollutants by 20 % to 55 % by 2010 as compared with the levels in 1997. We need to agree with GDEPD on a new phase of emission reduction targets to continue improving regional air quality.

5. In the 2009-10 Policy Address, the former Administration announced the plan to work with Guangdong Province (GD) to formulate emission reduction proposals for 2010 onwards. Both the Environmental Protection Department (EPD) and GDEPD then embarked on a joint study to map out the new emission reduction targets and plan.

6. In January 2012, the CE-in-Council approved the plan to adopt a set of new AQOs. Subject to enactment of legislative amendments, the new AQOs will take effect in 2014. The implementation of a new emission reduction plan for both Hong Kong and GD is one of the important elements for the attainment of new AQOs in Hong Kong as the pollution level in Hong Kong is subject to regional influence.

## **The Post-2010 Emission Reduction Plan**

### **The 2010 Baseline**

7. Both Hong Kong and GD had assessed their respective emission levels in the year of 2010 based on the latest emission estimation methods and data<sup>1</sup>, which are to serve as the baselines for the next phase of emission reduction efforts. 2010 is the target year for the first phase of emission reduction plan agreed in 2002 with 1997 as the baseline year. In this respect, Hong Kong announced on 10 October 2012 the attainment of 2010 emission reduction targets. For GD, the 2010 targets for SO<sub>2</sub>, NO<sub>x</sub> and RSP were met, but not that for VOC. The VOC emission in the PRDEZ had been reduced by 26.2% over the period as opposed to the target of 55%. Over the years, the socio-economic development of the PRDEZ had been rapid. On the other hand, reducing the emission of VOC was difficult as the pollutant had yet to be a target for control under the national policy. Nevertheless, GD has in recent years put extra

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<sup>1</sup> To ensure the compatibility of emission data over the years, both GD and HK have also adopted the latest emission estimation methods and data to adjust the emission levels for 1997.

efforts in introducing local laws and endeavoured to implement control measures. These efforts have reduced substantially the VOC emissions of the PRDEZ. They have also provided the experience and paved way for continuing the emission reduction in future.

### **Emission Reduction Targets for 2015 and 2020**

8. Ozone (O<sub>3</sub>) pollution and haze problem are the two major regional air pollution problems. Since SO<sub>2</sub>, NO<sub>x</sub>, RSP and VOC are the key causes of the problems, we have agreed with GDEPD that the four pollutants should continue to be the basis for new emission reduction targets and their emission levels in 2010 should form the baseline for the new emission reduction plan.

9. The socio-economic development outlook for the PRD region in the longer term (i.e. 2020) will be more fluid and less predictable than that of 2015 as that is beyond the horizon of the National 12<sup>th</sup> Five Year Plan. For Hong Kong, some of the new emission reduction measures also require further deliberations and additional resources and / or policy support, which have yet to be secured. Both sides have agreed that while emission reduction targets should be set for 2015, emission reduction target ranges should be adopted for 2020 given that different emission reduction measures would bring different results.

10. When devising the new reduction targets for Hong Kong, we have taken account of the reduction potential of major emission sources as well as the committed and proposed emission reduction measures identified in the AQO Review Consultancy Study. The emission reduction targets for both Hong Kong and PRDEZ are set out in the table below. The two regions set targets according to their own circumstances.

Pollutant	Area	Emission Reduction Targets / Ranges as compared with 2010	
		2015	2020
SO <sub>2</sub>	Hong Kong	25%	35 - 75%
	PRDEZ	16 %	20 - 35%
NO <sub>x</sub>	Hong Kong	10 %	20 - 30 %
	PRDEZ	18 %	20 - 40 %
RSP	Hong Kong	10 %	15 - 40 %
	PRDEZ	10 %	15 - 25 %
VOC	Hong Kong	5 %	15 %
	PRDEZ	10 %	15 - 25 %

11. It is worthy to note that, while Hong Kong has set higher reduction target for SO<sub>2</sub>, the reduction targets for NO<sub>x</sub> and VOC for Hong Kong are less aggressive than those proposed by GDEPD. This is because the NO<sub>x</sub> emissions from the power sector, which accounted for over 36% of the overall NO<sub>x</sub> emission of Hong Kong in 1997, have been substantially reduced by 52% over the past years through our stringent control measures. VOC emissions from vehicles and VOC-containing products such as paints, consumer products and printing inks, which accounted for over 80% of the overall VOC emissions of Hong Kong in 1997, have been substantially reduced by over 60% over the years. The scope for further reducing the emission of NO<sub>x</sub> and VOC is thus likely to be smaller in subsequent years. Notwithstanding, our latest projection has suggested that, by meeting the minimum emission reduction targets of the two sides in 2020, the SO<sub>2</sub>, NO<sub>2</sub>, RSP and O<sub>3</sub> concentration levels of Hong Kong at the ambient level in 2020 should be able to meet broadly the new AQOs.

### **Air Quality Improvement Measures for Hong Kong up to 2020**

12. As for the emission reduction target ranges for 2020, different emission reduction measures would result in different reduction levels. Apart from the 22 air quality improvement measures announced for achieving the new AQOs (see **Annex**), which form the basis for drawing up the emission reduction targets for 2015, the implementation of additional measures, such as increasing the use of clean fuel or changing fuel mix for power generation, as well as designating PRD waters as an Emission Control Area for vessels by 2020, could possibly bring further reduction.

### **IMPLICATIONS OF THE PROPOSAL**

13. The proposed post-2010 emission reduction plan and the associated air quality improvement measures can further improve the regional air quality by reducing the emission of four major air pollutants below the 2010 levels. The attainment of new AQOs and relevant air quality improvement measures would have substantial benefit to public health. There will also be intangible socio-economic benefits such as strengthening our competitiveness as an international financial centre and tourist destination and attractiveness for investments that can help create jobs and retain talents to work here.

### **PUBLIC CONSULTATION**

14. The emission reduction targets for Hong Kong are primarily drawn up with reference to the package of air quality improvement measures for achieving new AQOs announced in January 2012. These measures were drawn up based on the result of a thorough public consultation and will be implemented subject to resource availability.



## PUBLICITY

15. The Secretary for the Environment will hold a press conference this afternoon to announce the new emission reduction plan. A press release will be issued and a spokesman will be made available for press enquiries.

## BACKGROUND

16. To tackle the regional air quality problem, we reached a consensus with Guangdong Provincial Government in 2002 to jointly reduce emissions of four major air pollutants in the PRD region by 20% to 55% by 2010 as compared with those in 1997. To achieve these targets, the two governments have implemented a basket of emission reduction measures under the PRD Regional Air Quality Management Plan.

17. Hong Kong and GD had conducted a joint assessment on achieving the 2010 emission reduction targets and the outcome is as follows –

Pollutant	Area	1997 Emissions (tonnes)	2010 Emissions (tonnes)	2010 Emission Reduction (%) (as compared with 1997)	2010 Emission Reduction Target
SO <sub>2</sub>	Hong Kong	82,000	35,500	-56.7%	-40%
	PRDEZ	921,000	507,000	-45%	
NO <sub>x</sub>	Hong Kong	154,000	108,600	-29.5%	-20%
	PRDEZ	1,114,000	889,000	-20.2%	
RSP	Hong Kong	15,500	6,340	-59%	-55%
	PRDEZ	1,544,000	637,000	-58.7%	
VOC	Hong Kong	81,700	33,700	-58.8%	-55%
	PRDEZ	1,224,000	903,000	-26.2%	

18. We signed an “Environmental Co-operation Agreement between HKSAR and Guangdong” at the Hong Kong/Guangdong Co-operation Joint Conference in August 2009. Both sides agreed to assess the progress of emission reduction in the two places in 2010, and to undertake a joint study to map out the emission reduction targets and plan for the next phase in the PRD region.

## **ENQUIRY**

19. For any enquiry relating to this brief, please contact Mr. W C Mok, Assistant Director of Environmental Protection (Air Policy) at 3509 8618.

**Environment Bureau/Environmental Protection Department**

**23 November 2012**

## Air Quality Improvement Measures

### 1. Emission Capping and Control

- (i) Increasing the ratio of natural gas in local electricity generation to 50% with additional emission abatement measures

*Progress: We have tightened the statutory emission caps on the power plants with effect from 2015. To comply with the emission caps, the power sector will have to maximize the use of gas-fired generation units, thereby raising the ratio of natural gas in local electricity generation to 50%, and prioritize the use of coal-fired generation units equipped with advanced emission control devices.*

*The Technical Memorandum for power plants requires us to review the emission caps every two years. The Third Technical Memorandum was endorsed by the LegCo on 21 November 2012. It will further tighten the emission caps for power plants starting from 2017. We will continue to examine the scope for further tightening the emission caps in the light of the future fuel mix for the power sector and advancement in emission control technologies.*

- (ii) Early retirement of aged / heavily polluting vehicles

*Progress: We completed a subsidy scheme in March 2010 to encourage the early replacement of pre-Euro and Euro I diesel commercial vehicles. Under the scheme, 17,000 vehicles were replaced with our grants, representing about 30% of all eligible vehicles at the commencement of the scheme.*

*We launched another subsidy scheme for Euro II diesel commercial vehicles in July 2010. As at end October 2012, about 14% of the eligible owners took up the incentive and replaced their aged vehicles.*

- (iii) Earlier replacement of Euro III commercial diesel vehicles with models meeting latest Euro standards

*Progress: The oldest batch of Euro III vehicles will be more than 10 years old by 2012. We will consider introducing suitable measures to accelerate their replacement.*

- (iv) Wider use of hybrid / electric vehicles or other environment-friendly vehicles with similar performance

*Progress: Government has launched incentive schemes through First Registration Tax (FRT) concession to encourage the use of electric vehicles (EVs), environment-friendly petrol private cars (including hybrid private cars) and environment-friendly commercial vehicles.*

*In respect of EVs, we have also been expanding the network of charging facilities and working closely with the manufacturers and dealers to encourage them to bring in their EVs into Hong Kong. As at August 2012, there are about 350 EVs in Hong Kong, increasing from 16 units in end 2009 and 74 in end 2010. The Government and the private sector have also jointly installed around 1,000 standard charging facilities all over the territory for public use.*

*There are currently 38 hybrid vehicle models available on the local market.*

*Up to end October 2012, we received about 43,300 applications for environment-friendly petrol private cars (which represented 20% of all private petrol cars newly registered from April 2007) and about 12,000 applications for environment-friendly commercial vehicles (which represented 41% of all commercial vehicles newly registered from April 2008).*

*As for franchised buses, the 2010-11 Policy Address announced the ultimate policy objective of having zero emission buses running across the territory. In this regard, additional requirements were included in the three bus franchises granted in April 2012 so that the bus companies concerned have to acquire the most environment-friendly buses that are technologically proven and commercially available when acquiring new buses in future, taking into account affordability of the companies and passengers. Similar requirements will be imposed on the three remaining bus franchises upon their expiry in 2016/17. Separately, Government has sought funding for franchised bus companies to procure six hybrid buses and 36 electric buses for trial to assess their performance in different conditions. We expect that the trial can start in 2014.*

*In addition, Government set up the \$300 million Pilot Green Transport Fund in March 2011 to encourage the transport sector to test out green and low-carbon transport technology (including hybrid/electric vehicles). Up to mid-November 2012, 37 applications were approved, which cover trials of electric buses, goods vehicles and taxis, and hybrid light buses and goods vehicles (amounting to a total subsidy of about \$87 million).*

(v) Use of 0.05% sulphur diesel for local vessels

*Progress: We completed a trial of local ferries using Ultra Low Sulphur Diesel (ULSD) (i.e., diesel with a maximum sulphur content of 0.005%) in August 2010. The trial confirmed the technical feasibility of ULSD as fuel for local ferries but there will be an increase in fuel cost largely due to the extra handling cost of providing ULSD to a very small number of local ferries. To reduce the cost implications and achieve greater environmental benefits, we have revised the proposal and are seeking the views from the trades and relevant stakeholders to reduce the sulphur content of marine light diesel sold in Hong Kong from the current maximum limit of 0.5% to 0.05% subject to confirmation of technical feasibility.*

(vi) Measures to reduce nitrogen oxides emissions from Government vessels

*Progress: Upon further evaluation, we have found that it would be more cost-effective to replace the existing engines with new ones that comply with the more stringent emission limits, particularly in respect of NOx. To ascertain the technical feasibility and better understand the technical implications, we are working on a trial to replace the existing engines of a few government vessels.*

(vii) Electrification of aviation ground support equipment (GSE)

*Progress: There are currently about 300 units of GSEs and vehicles running on electricity at the Hong Kong International Airport. To facilitate the use of electric GSEs and vehicles in the coming years, the Airport Authority has installed additional electric charging stations and put in place new vehicle purchase policy which favours the use of electric vehicles. The pace of GSE replacement would depend on factors such as the availability of electric alternatives, age and maintenance conditions of the GSE fleet, the financial position of operators and the business outlook.*

(viii) Emission control for off-road vehicles / equipment

*Progress: We have completed the stakeholders' consultation on our revised control proposal for imposing emission standards for newly imported non-road mobile machinery that will be used locally. We are preparing the necessary legislative amendments with a view to effecting the proposed control regime towards end 2013.*

(ix) Strengthening volatile organic compounds (VOC) control

*Progress: Legislation on tightened control enacted. The new statutory VOC content requirements of 14 types of vehicle refinishing paint, 36 types of vessel paint and pleasure craft paint and 47 types of adhesives and sealants have been implemented in phases with effect from 1 January 2010. The last phase came into operation on 1 April 2012.*

**2. Traffic Related Measures**

(x) Low emission zones

*Progress: We have identified three locations for establishing pilot low emission zones (LEZ) at the busy corridors in Causeway Bay, Central and Mong Kok. Starting from 2011, the franchised bus companies have accorded priority to the deployment of low-emission buses (i.e. those meeting the emission level of a Euro IV or above bus) to routes serving the pilot LEZs as far as possible. Our target is to have only low-emission buses in these zones by 2015.*

(xi) Car-free zone / pedestrianisation scheme

*Progress: As at December 2011, there are seven full-time pedestrian streets, 30 part-time pedestrian streets and over 40 traffic calming streets in Hong Kong. The introduction of further pedestrian streets will be increasingly challenging due to limited road space against competing needs and street management considerations. Our previous consultations with District Councils show that they have hesitations in further expanding the current pedestrianisation scheme. Some District Council members, however, are receptive to the option of adjusting the operation hours of the existing pedestrian streets to maximize the benefits of the scheme.*

(xii) Bus route rationalization

*Progress: It is an on-going plan of Transport Department (TD) to review the route development programmes (RDPs) of franchised bus operators each year and rationalization is one of the major areas that needs to be tackled in consultation with the affected District Councils. The objective is to balance the public demand for bus services, the need to improve road traffic and the environment. The Government will continue to work with the District Councils and the franchised bus companies to pursue bus route rationalization so as to reduce the number of bus trips and bus stopping particularly on busy corridors.*

### **3. Infrastructure Development and Planning**

(xiii) Expand rail network

*Progress: Construction works have commenced for West Island Line, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, South Island Line (East), Kwun Tong Line Extension and Shatin to Central Link*

(xiv) Develop cycle tracks in new development areas

*Progress: The Government's long standing policy is to promote the use of public transport system as the main transport mode and to encourage the public to make use of the highly efficient mass transit transport systems and other public transport services. Due to safety considerations, the Government does not encourage the public to use bicycle as a transport mode in urban areas. Compared with urban areas, new towns in the New Territories or new development areas, where traffic density is relatively low, have better conditions for using bicycle for short-distance travel. Civil Engineering and Development Department (CEDD) is taking forward the development of a cycle track network in the New Territories by phased interconnection of the cycle tracks in various new towns between Ma On Shan, Sheung Shui, Yuen Long, Tuen Mun and Tsuen Wan. It is expected that the Sheung Shui – Ma On Shan section will be completed in 2013. CEDD has recently commenced detailed design and site investigation works for the proposed cycle track between Tsuen Wan and Ting Kau. For existing cycling facilities in new towns, TD commissioned a consultancy in May 2010 to carry out a study to examine measures to improve the existing cycle track networks and bicycle parking facilities. The study is expected to be completed by end 2012.*

### **4. Energy Efficiency Measures**

(xv) Mandatory implementation of the Building Energy Codes

*Progress: The Buildings Energy Efficiency Ordinance was enacted and has taken full effect on 21 September 2012. We would continue to keep under review technological developments and tighten the efficiency standards where appropriate.*

- (xvi) Energy efficiency standards for domestic electrical appliances

*Progress: The Energy Efficiency (Labelling of Products) Ordinance has been implemented to cover compact fluorescent bulbs, air-conditioning units, refrigerators, dehumidifiers and washing machines. We will continue to review the scope of the products under the Ordinance.*

- (xvii) Light-emitting diode (LED) or equivalent alternatives for traffic signal / street lighting

*Progress: Replacement of all conventional traffic signal at 1,800 road junctions with LED light is underway and the works are expected to be completed by end 2012. Trial schemes of LED street lights for minor roads and light tubes at roadside and on footbridges are in progress to assess their cost/benefit and suitability in Hong Kong's outdoor environment. Their performance and cost-effectiveness will be reviewed after completion of the trial in 2012.*

- (xviii) Tree planting / skyrise greening

*Progress: Government has all along been promoting active planting and new greening technologies such as skyrise greening (roof greening and vertical greening) for government premises. Development Bureau will continue to formulate and promulgate standards, guidelines and best practices related to greening, landscape planning and design and tree management; and carry out public education and community involvement activities to enhance public awareness of greening, landscape and tree management issues.*

- (xix) District cooling system for Kai Tak Development

*Progress: Construction works are underway for Phases I and II of the district cooling system for Kai Tak Development. Phase III of the district cooling system will be subject to the progress and development programme of the Kai Tak Development.*

## **5. Measures outside the AQOs Review**

- (xx) Retrofit Euro II and III franchised buses with selective catalytic reduction (SCR) devices to reduce their NOx emissions

*Progress: Government and franchised bus companies commenced a trial in September 2011 to retrofit Euro II and III buses with SCR to reduce their nitrogen oxides emissions. Together with the diesel particulate filters already installed on the buses, this could upgrade the emission performance of the buses to the level of Euro IV bus or above. Subject to satisfactory trial results, Government will fully fund the*



*retrofit of the devices on Euro II and III buses.*

- (xxi) Introduce a more stringent regime to control emissions from LPG and petrol vehicles through remote sensing equipment and dynamometer tests

*Progress: We completed the stakeholders' consultation in January 2012 and reported the findings to LegCo in February 2012 with a view to implementing the tightened control regime towards 2014. In parallel, we are drawing up the arrangements for providing a one-off subsidy to owners of LPG taxis and light buses for replacing the catalytic converters in their vehicles to improve their emission performance.*

- (xxii) Reduce emissions from the marine sector by adopting cleaner fuels for local vessels, requiring ocean-going vessels (OGVs) to switch to cleaner fuels while berthing at PRD ports and setting up an Emission Control Area (ECA) in PRD waters over the longer term.

*Progress: We are discussing the proposals with the governments of Guangdong, Shenzhen and Macao.*

**Opening Remark**  
**by the Secretary for Food and Health**  
**at the Public Accounts Committee hearing on 24 November 2012**  
**in response to the Audit Report on Regulatory Control of Private Hospitals**

Chairman and Members,

First of all, I would like to thank the Chairman for allowing me to make a brief consolidated response to the Audit Report on Regulatory Control of Private Hospitals. I would also like to take this opportunity to give the Committee an account of the improvement measures to be taken by us in response to the recommendations made by the Audit Commission.

**Existing Framework for Regulation of Private Hospitals**

At present, private hospitals in Hong Kong are regulated under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165). They are required to register with the Department of Health (DH) and hence subject to DH's regulation on conditions relating to accommodation, staffing and equipment.

In addition to the existing statutory regulatory control, DH issued a Code of Practice (COP) for private hospitals in 2003 to set out the standards of good practice regarding their governance, quality management, patient care, risk management, clinical standards and so forth. Compliance with these requirements is a condition for the registration and re-registration of private hospitals. This COP enables DH to implement a more comprehensive control over a number of service areas of private hospitals through imposing licensing conditions.

The last major amendments made to the legislation governing the regulation of private hospitals took place in the 1960s. In the past few years, there have been substantial changes in the ecology of the healthcare market, and there are also considerable concerns in the community about the safety, quality and price transparency of private hospital services.

### **Review on the Regulation of Private Hospitals**

We will review thoroughly and amend the legislation governing the regulation of private hospitals with a view to enhancing the safety, quality and transparency of private hospital services. When conducting the review, we will take into consideration the audit recommendations and put them into implementation. Reference will also be made to international standards and overseas experience. We have already established a Steering Committee on Review of the Regulation of Private Healthcare Facilities to conduct a review on the regulatory regime for private healthcare facilities including private hospitals. The Steering Committee convened its first meeting on 2 November. The meeting has decided to set up four working groups, one of which is responsible for reviewing the directions and measures for regulation of private hospitals. Membership of the working groups will be announced shortly.

Specifically, the scope of review of the Steering Committee will cover whether there is a need to incorporate more aspects of healthcare services in the standards for regulatory control of private hospitals and whether the penalties imposed on private hospitals for non-compliance need to be revised, as well as a focused study on ways to enhance the price transparency of private hospitals, to safeguard patients' right to know and to enable patients to choose the healthcare services which suit their needs.

Our review is expected to be completed within one year, to be followed by a public consultation on the recommendations put forward by the Steering Committee and preparation work for the legislative process.

### **Follow-up measures taken by DH**

Meanwhile, DH has taken proactive measures to enhance its regulatory control of private hospitals in light of the recommendations of the Audit Commission. These measures include:

Firstly, in addition to the current practice of requiring private hospitals to submit inspection reports and carrying out item-by-item inspections based on the COP, DH will follow the recommendations of the Audit Commission to develop a suitable inspection checklist and standardise the format of inspection reports to ensure comprehensiveness of its inspection of private hospital services. Besides, in order to monitor compliance of land grant conditions by private hospitals, DH has produced a detailed checklist for this purpose and incorporated it into the inspection mechanism.

Secondly, DH will review regularly and monitor closely the sentinel event reporting mechanism. It will also issue advisory or warning letters to non-compliant private hospitals. For sentinel events that constitute a significant public health risk and involve professional misconduct of healthcare personnel, DH will refer the cases directly to the regulatory bodies responsible for regulation of the professional conduct of the respective healthcare personnel for follow-up investigations. In formulating the sentinel event reporting mechanism, DH will make reference to international practices including guidelines issued by the World Health Organisation, i.e. an effective reporting mechanism should be non-punitive and confidential, and lead to constructive responses.

Thirdly, DH has started formulation of guidelines to assist private hospitals in making proper closure arrangements while procedures will also be developed for inspection of private hospitals which will soon be closed down.

## **Conclusion**

Chairman and Members, we are determined to strengthen our regulatory control of private hospitals and will learn from past experience. We will seriously consider the views of the Audit Commission and Members in order to devise an effective regulatory regime, enhance the quality and transparency of private hospitals and provide greater assurance to those who prefer and can afford to use private healthcare services.

Thank you, Chairman.

## Press Releases

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Appointments to Working Group on Regulation of Private Hospitals  
\*\*\*\*\*

The Working Group on Regulation of Private Hospitals under the auspices of the Steering Committee on Review of the Regulation of Private Healthcare Facilities has been formally set up and came into operation today (December 18).

"It is tasked with reviewing the scope of the existing legislation and the regulatory regime for private hospitals, and formulating recommendations for enhanced control of different aspects related to the provision of healthcare services by private hospitals," said the Secretary for Food and Health, Dr Ko Wing-man.

The Working Group will be chaired by the Permanent Secretary for Food and Health (Health). Members of the Working Group shall include representatives from private hospitals, academia, professional organisations, and patient and consumer groups.

Dr Ko said that in response to the Audit recommendations on strengthening the regulatory control of private hospitals, there was room for improvement in the provision of healthcare services by private hospitals, in particular, price transparency, clinical standards and management and reporting of adverse incidents.

"The Working Group will gather views of stakeholders concerned and make reference to overseas regulatory frameworks that are applicable to local circumstances when undertaking its duties.

"We look forward to fruitful and productive deliberation at the Working Group. The review will be a crucial step forward in strengthening the regulatory control over private hospitals so as to safeguard people's health and consumer rights," he said.

The working group would submit its findings to the Steering Committee in the second half of 2013, with recommendations on the regulatory framework that should be adopted for private hospitals.

Following is the membership list of the Working Group:

Chairman

Permanent Secretary for Food and Health (Health)

Members

Steering Committee members:

Ms Jasminia Kristine Cheung

Professor Fok Tai-fai

Dr Samuel Kwok Po-yin

Mr Andy Lau Kwok-fai

Ms Connie Lau Yin-hing

Dr Anthony Lee Kai-yiu

Professor Lee Sum-ping

Professor Raymond Liang Hin-suen

Dr Susie Lum Shun-sui

Professor Samantha Pang Mei-che

Dr Homer Tso Wei-kwok

Dr Yeung Chiu-fat

Director of Health/representative  
Chief Executive, Hospital Authority/representative  
Head of Healthcare Planning and Development Office, Food and  
Health Bureau/representative

Co-opted members:  
Ms Elaine Chan Sau-ho  
Ms Vera Tam Sau-ngor

Ends/Tuesday, December 18, 2012  
Issued at HKT 11:30

NNNN

香港特別行政區政府  
衛生署  
醫護機構註冊辦事處

香港灣仔皇后大道東 183 號  
合和中心 31 樓 3101 室



THE GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION  
DEPARTMENT OF HEALTH  
OFFICE FOR REGISTRATION OF  
HEALTHCARE INSTITUTIONS

RM 3101, 31/F, HOPEWELL CENTRE,  
183 QUEEN'S ROAD EAST, WAN CHAI,  
HONG KONG

本署檔號 OUR REF.: (4) in DH/ORHI/CON/17/11 Pt.3

來函檔號 YOUR REF.:

電 話 TEL.: 3107 8451

傳 真 FAX: 2126 7515

21 November 2012

Miss Mary SO  
Clerk, Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Miss SO,

**Public Accounts Committee (PAC)  
Consideration of Chapter 3 of the Director of Audit's Report No. 59  
Regulatory Control of Private Hospitals**

Thank you for your letter of 20 November 2012. We would like to provide the following information for the Committee's consideration –

- (a) A copy of the "Protocol for Inspection of Private Hospitals, Nursing Homes and Maternity Homes under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap.165) (March 2010)" used by the Office for Registration of Healthcare Institutions (ORHI) of the Department of Health (DH) is enclosed at **Annex A** for reference.

The Committee may wish to note that the ORHI had used the inspection checklist enclosed at **Annex B** to conduct annual inspections before September 2010. Starting from September 2010, all annual inspections are performed in an unannounced manner. All private hospitals are required to submit the Report for Registration (**Annex C**) to the DH to demonstrate that they have complied with the Code of Practice for Private Hospitals, Nursing Homes and Maternity Homes (**Annex D**). ORHI will study the full Report of each private hospital prior to the conduction of unannounced inspection by using the revised inspection checklist enclosed at **Annex E**. In response to the recommendations in Chapters 3 and 4



of the Director of Audit's Report No. 59, the inspection checklist has been further revised. Two checklists have been used for the annual inspection of private hospitals since September 2012 (**Annexes F and G**).

- (b) A copy of the "Review of Legislation for the Regulation of Health Facilities (December 2000)" is enclosed at **Annex H** for reference.

Please note that the Protocol for Inspection (**Annex A**) and the inspection checklists (**Annexes B, and E to G**) are restricted documents used by ORHI Officers to enforce Cap.165, which are not advisable for public disclosure or further distribution.

Yours sincerely,



(Dr. FUNG Ying )  
for Director of Health

cc Secretary for Food and Health	(Fax: 2102 2568)	} w/o enclosure
Secretary for Financial Services and the Treasury	(Fax: 2147 5239)	
Director of Audit	(Fax: 2583 9063)	

**Internal**  
DH CR/4-35/14C

**\*Note by Clerk, PAC:** *Annexes A to F and H not attached.  
For Annex G, please refer to Appendix 24.*

香港特別行政區政府  
衛生署  
醫護機構註冊辦事處

香港灣仔皇后大道東 183 號  
合和中心 31 樓 3101 室



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RM 3101, 31/F, HOPEWELL CENTRE,  
183 QUEEN'S ROAD EAST, WAN CHAI,  
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本署檔號 OUR REF.: (10) in DH/ORHI/CON/17/11 Pt.3

來函檔號 YOUR REF.:

電 話 TEL.: 3107 8451

傳 真 FAX: 2126 7515

28 November 2012

Miss Mary SO  
Clerk, Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Miss SO,

**Public Accounts Committee (PAC)  
Public Hearing on Chapter 3 of the Director of Audit's Report No. 59  
Regulatory Control of Private Hospitals**

I refer to your letter dated 26 November 2012 and would like to provide the following information and documents for the Committee's consideration –

Inspection of Private Hospitals

(a) Annual Inspection of Private Hospitals

The questionnaire completed by private hospitals as well as other documents related to the workflow of annual inspection of private hospital are attached in Annex A.

(b) Service areas covered in inspection programme (Paragraph 2.13)

Inspections to the two hospitals mentioned in paragraph 2.13 were conducted in accordance with the inspection plans. All clinical services areas of the hospitals were inspected during these inspections.

**竭誠服務 顧客為本 素質為先**

***We are committed to providing client-oriented service***

In one hospital, Audit commented that the Clinical Aromatherapy Service was not inspected while the service was in fact included in the inspection plan (2/F Day Ward of Annex B and Annex C). Clinical Aromatherapy Service was provided in a small room at 2/F Day Ward, where only a couch, hi-fi set and an aromatherapy machine was placed inside the room. Counselling was provided by a Registered Nurse inside the room.

In the other hospital, Audit commented that the Department of Anaesthesiology (Dept. A), Pain Management Clinic (Dept. B), Cancer Genetics Centre (Dept. C) and Surgery Centre (Dept. D) were not inspected. While Dept. A was actually an office where inspection was not required, the other clinics/centres were mainly consultation rooms in out-patient settings. Dept. B and Dept. C were co-located with the Oncology Centre inside the Day Care Ward, where it was an out-patient clinic with consultation rooms for share use by the three centres and clinic on sessional basis. Dept. D was located at the same floor with the Obstetrics and Gynaecology Centre and inspection to both Centres were performed according to the inspection plan (Annex D and Annex E).

(c) Protocol for inspecting private hospitals

The first version of the protocol for inspecting private hospitals (Version 2008) is enclosed for your reference (Annex F).

(d) Advice given to private hospitals

The number of verbal advices given by DH to private hospitals during annual inspections from 2009 to 2011 is shown in Table 1. Starting from 2010, all verbal advices given during the inspection were also subsequently followed by a written summary to individual hospitals during the meeting with hospital management (i.e. Step 5 of Annex A).

The inspection reports/checklists of the hospital with the most number of verbal advices given during 2009-11 are enclosed in Annex G.

Table 1 Number of verbal advices given to private hospitals during annual inspection

Hospital	Number of advice given during annual inspection		
	Verbal	Verbal and Written	
	2009	2010	2011
Hospital A	9	13	3
Hospital B	5	12	10
Hospital C	11	5	17
Hospital D	9	5	5
Hospital E	8	11	5
Hospital F	9	5	6
Hospital G	6	2	0
Hospital H	4	13	4
Hospital I	5	9	9
Hospital J	9	8	3
Hospital K	2	11	3
Hospital L	8	1	2
Total	85	95	67

- (e) Regulatory letters issued to private hospitals against inspection findings (Paragraph 2.20)

In 2011, 6 regulatory letters were issued to 6 private hospitals against findings from annual and ad-hoc inspections. The numbers and types of irregularities of each letter are shown in Table 2.

Table 2 Numbers and types of irregularities covered in each regulatory letters issued in 2011 upon annual or ad-hoc inspections

Letter	Hospital	Number of irregularities	Type of irregularities
1	Hospital B	1	<ul style="list-style-type: none"> <li>● Insufficiencies in electricity supply system that might pose risks to patient safety</li> </ul>
2	Hospital C	4	<ul style="list-style-type: none"> <li>● Lack of an effective system to keep track of and ensure timely maintenance of medical equipment</li> <li>● Anaesthetists were put on-call for a long period</li> <li>● Undesirable arrangements in discharging patients from recovery areas of the operating theatre to wards</li> <li>● Undesirable arrangements in nursing observation of newborns in the nursery service</li> </ul>
3	Hospital E	1	<ul style="list-style-type: none"> <li>● Insufficiencies in electricity supply system that might pose risks to patient safety</li> </ul>
4	Hospital F	1	<ul style="list-style-type: none"> <li>● Admission of maternity cases outside the maternity unit</li> </ul>
5	Hospital G§	1	<ul style="list-style-type: none"> <li>● Admission of maternity cases outside the maternity unit</li> </ul>
6	Hospital I	2	<ul style="list-style-type: none"> <li>● No specialist in paediatrics appointed to take charge of or as an advisor to the nursery service</li> <li>● Insufficient nurses to take care of the nursery service</li> </ul>

§ The letter was issued subsequent to ad-hoc inspection in 2011

- (f) Details of the cases (a) to (d) in paragraph 2.22

*Case (a)* – A chronology of the case and correspondences between DH and the hospital are enclosed in Annex H.

*Case (b)* – The case details and annual inspection report of 2011 are enclosed in Annex I.

*Case (c) and (d)* – The case details and annual inspection report of 2011 are enclosed in Annex J.

- (g) Case one in paragraph 2.27

The chronology of the case and correspondences between DH and the hospital are enclosed in Annex K.

- (h) Scope of work and workplan of the Steering Committee and Working Groups

Steering Committee on Review of the Regulation of Private Healthcare Facilities (“Steering Committee”) has been established to conduct a review on the regulatory regime for private healthcare facilities. The Steering Committee will put forward recommendations on the regulatory approach and scheme for private healthcare facilities, taking into account views from various sectors of community. The Steering Committee is chaired by the Secretary for Food and Health and comprises 16 non-official members and four ex-officio members. Non-official members comprise personalities from a wide range of backgrounds and interests, including healthcare professions, academia, regulatory bodies and patient and consumer rights groups. The scope of work and workplan of the Steering Group and the four working groups set up under the Steering Committee are enclosed in Annex L.

## Monitoring of Sentinel Events

### (i) Sentinel events reported in 2009 (paragraph 3.8(a))

A total of 52 sentinel events were reported in 2009, the breakdown of event by each private hospital is shown in the Table 3.

Table 3 Categories of sentinel event reported in 2009 by hospital

Category of sentinel events Reported	Hospital												Total
	A	B	C	D	E	F	G	H	I	J	K	L	
Category 1	1	1	0	0	0	0	1	0	9	1	0	2*	15
Category 2	0	0	7	4	0	0	1	0	0	0	0	0	12
Category 3	0	0	4	1	1	0	4	1	8	0	0	0	19
Category 4	0	0	1*	0	0	0	0	0	0	0	0	0	1
Category 5	0	0	0	0	0	0	0	1	0	0	0	0	1
Others	0	0	2	0	0	1	1	0	0	0	0	0	4
<b>Total</b>	<b>1</b>	<b>1</b>	<b>14</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>17</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>52</b>

*\*One Regulatory letter was issued to the hospital against irregularity found*

- Category 1: Unanticipated death or serious injury or complications during or shortly after operation or interventional procedure
- Category 2: Maternal death/ serious maternal morbidity
- Category 3: Perinatal death/ serious injury
- Category 4: Wrong-site surgery/ interventional procedures
- Category 5: Unintended retention of foreign body after surgery or interventional procedures

DH followed up and analyzed the causes of all the 52 sentinel events. The breakdown of the events by cause is shown Table 4.

Table 4 Causes of sentinel event reported in 2009

Cause of the events	Number of events
Procedural Compliance	5
Patient Condition	34
Complications of Surgery	9
Unknown	4
<b>Total</b>	<b>52</b>

Handling Complaints against Private Hospitals

(j) Complaints received by private hospitals

Table 5 shows the number of complaints received by private hospitals from 2009 to 2011 by category. DH does not have the number of cases that involved professional misconduct.

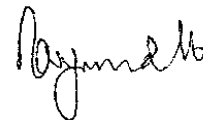
Table 5 Number of complaints received by private hospitals from 2009 to 2011

Category of complaints	Number of complaints			
	2009	2010	2011	Total
Staff performance	408	347	316	1071
Staff manner	127	94	99	320
Communication	7	29	18	54
Inadequate staffing	0	2	1	3
Environment	23	29	18	70
Facilities and equipment	13	21	32	66
Charges	153	140	145	438
Administrative procedure	69	48	49	166
Others	72	115	104	291
Total	872	825	782	2479

Please note that Annexes A to K to this letter are restricted documents which are not advisable for public disclosure or further distribution.

Yours sincerely,

**\*Note by Clerk, PAC:** *For Annexes B to E, please refer to Appendix 22. Annexes F to L not attached.*



(Dr Raymond HO)  
for Director of Health

c.c.

Secretary for Food and Health  
Secretary for Financial Services and the Treasury  
Director of Audit

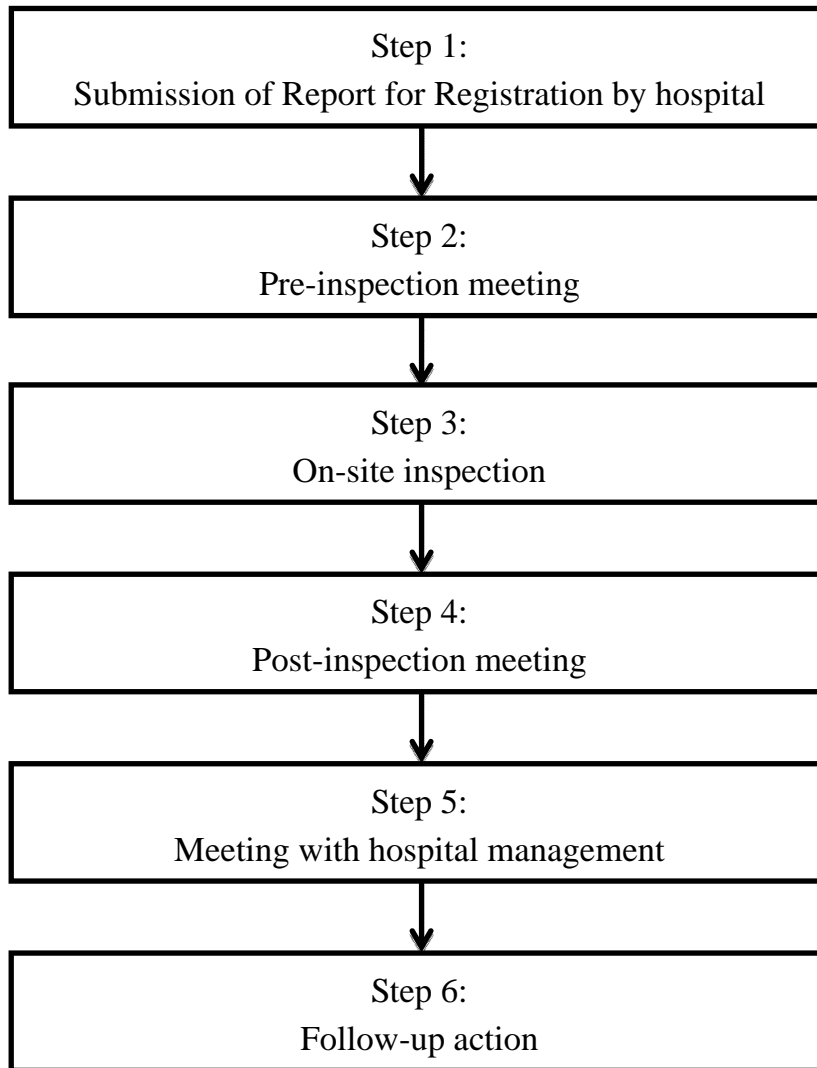
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(Fax: 2147 5239)  
(Fax: 2583 9063)

} w/o enclosure



### Workflow of Annual Inspection of Private Hospital

The workflow of annual inspection of private hospital is shown as follows:



### *Step 1: Submission of Report for Registration*

Private hospitals are required to submit a completed Report for Registration to the Office for Registration of Healthcare Institution (ORHI) of the Department of Health to demonstrate that they have complied with the Code of Practice for Private Hospitals, Nursing Homes and Maternity Homes. A sample of the completed Report for Registration in 2010 and 2011 is enclosed at Appendices A1 and A5 for your reference.

### *Step 2: Pre-inspection meeting*

ORHI will study the Report for Registration of each private hospital and a pre-inspection meeting will be held among members of the inspection team before the unannounced inspection to discuss on the focuses of the inspection as well as points to be clarified with the hospital. An inspection plan will also be developed to cover various service areas of the hospital (Appendices A2 and A6).

### *Step 3: On-site inspection*

During the inspection, the inspection team will follow the inspection plan to inspect the conditions of the hospital as well as to understand the quality of service. Taking reference from international bodies of hospital accreditation, e.g. Joint Commission International (JCI) and the Australian Council on Healthcare Standards (ACHS), a patient-centred approach has been adopted, through interviewing staff of various grades and disciplines along the course of a patient's journey in the hospital, to ensure that services provided are centred on patients. The inspection team will exercise professional judgment to determine whether the quality of service is up to the requirements of the Code of Practice.

### *Step 4: Post-inspection meeting*

After the inspection, a debriefing will be held in ORHI office to discuss on the findings. All significant findings will be reported to PMO(1) as well as documented in the inspection report (Appendix A3 and A7)

In response to the recommendations in Chapters 3 of the Director of Audit's Report No.59, the inspection checklist has been revised to improve the format of documentation by including negative findings.

*Step 5: Meeting with hospital management*

The inspection team will meet with the hospital management to discuss on the matters to be improved or rectified. Advices would also be given to the hospital in form of a written summary (Appendices A4 and A8).

*Step 6: Follow-up action*

In case there is any serious irregularity found during the inspection, regulatory letter would also be issued to the hospital (Appendix A9) and DH would follow up with the hospital whether the irregularities were rectified (Appendix A10 and A11).

**\*Note by Clerk, PAC:** *For Annex A9, please refer to Appendix 25.  
Annexes A1 to A8 and A10 to A11 not attached.*

**Inspection Plan for [REDACTED] Hospital  
(19 October 2010)**

<b>Day 1 (AM)</b>	<b>SMO+CNO +RN+SHA</b>	<b>NO+RN</b>	<b>HA+SHA (after inspecting OT)</b>
	<u>Significant clinical services</u> ● OT (3/F)	<u>Other clinical services</u> ● Rehab Ward (2/F) ● Day Care Centre (2/F) ← ● Day Ward (2/F) ● 3/F Ward (3/F) ● Day Surgery & Endoscopy Centre (3/F) ● 4/F Ward (4/F)	<u>Other clinical services</u> ● Diagnostic Radiology Dept (G/F) ● Laboratory (1/F) ● Skin Laser & Cosmetic Surgery Centre (1/F) ● Urodynamic lab (1/F) ● Dental Dept (1/F) ● Physio Dept (1/F) ● Lithotripsy & Endourology Centre (1/F)
	<b>SMO+CNO</b> <u>Other clinical services</u> ● OPD (G/F) ● Pharmacy (G/F) ● Dietetic & Weight Mx Centre (1/F) ● Echo & Stress Test Lab (1/F) ● Women's Health Centre & Breast Centre (1/F) ● Specialist clinic (1/F)		
<b>Day 1 (PM)</b>	<b>SMO+CNO</b>	<b>NO+RN</b>	<b>SHA+HA</b>
	<u>Documents</u>	<u>Documents</u>	<u>Supporting services</u> ● Purchasing Dept ● Maintenance Dept (roof) ● Laundry- [REDACTED]  <u>Documents</u>

	<b>SMO+CNO+NO+RN+SHA+HA</b>		
	<u>Satellite clinics</u> <ul style="list-style-type: none"><li>● [REDACTED] Clinic</li><li>● [REDACTED] Clinic</li></ul>		

**Inspection Plan for ██████ Hospital  
(20 October 2011)**

<b>AM</b>	<b>SMO+CNO+NO+RN</b>		<b>SHA+HA</b>
	<ul style="list-style-type: none"> <li>● OT (3/F)</li> </ul>		<ul style="list-style-type: none"> <li>● Laundry (HA)</li> <li>● Catering and Dietetic Service (HA)</li> <li>● Dietetic &amp; Weight Mx Centre (1/F) (SHA)</li> <li>● Urodynamic lab (1/F)(SHA)</li> <li>● Dental Dept (1/F)(SHA)</li> <li>● Physio Dept (1/F)(SHA)</li> <li>● Lithotripsy &amp; Endourology Centre (1/F)(SHA)</li> <li>● Mortuary(SHA)</li> <li>● Admission Office (SHA)</li> </ul>
	<b>SMO+CNO+RN</b>	<b>NO+RN</b>	
	<ul style="list-style-type: none"> <li>● CSSD (2/F)</li> <li>● Day Surgery &amp; Endoscopy Centre (3/F)</li> </ul>	<ul style="list-style-type: none"> <li>● Rehab Ward (2/F)</li> <li>● Day Ward (2/F) ←</li> <li>● OPD (G/F)</li> </ul>	
<b>PM</b>	<b>SMO+CNO+RN</b>	<b>NO+SHA</b>	<b>MO+HA</b>
	<ul style="list-style-type: none"> <li>● Day Chemo and Ward (4/F)</li> <li>● 3/F Ward (3/F)</li> <li>● Pharmacy</li> </ul>	<ul style="list-style-type: none"> <li>● Specialist clinic (1/F)</li> <li>● Skin Laser &amp; Cosmetic Surgery Centre (1/F)</li> <li>● Echo &amp; Stress Test Lab (1/F)</li> <li>● Women's Health Centre &amp; Breast Centre (1/F)</li> </ul> <p><u>Documents (NO)</u></p> <ul style="list-style-type: none"> <li>● Hospital policies and relevant reports: <ul style="list-style-type: none"> <li>■ Incident</li> <li>■ Complaint</li> </ul> </li> </ul> <p><u>Documents (SHA)</u></p> <ul style="list-style-type: none"> <li>● Maintenance Dept (roof)</li> <li>● Waste Management</li> <li>● Cleansing service</li> <li>● Ventilation</li> <li>● Dangerous goods and medical gases</li> <li>● Admission, fees and charges</li> </ul>	<ul style="list-style-type: none"> <li>● Diagnostic Radiology Dept (G/F)</li> <li>● Laboratory (1/F)</li> <li>● Satellite clinics</li> </ul>

**Inspection Plan for ██████████ Hospital  
(7&8 December 2010)**

<b>Day 1 (PM)</b>	<b>PMO+SMO+ CNO/NO+RN+SHA+HA</b>		<b>CNO/NO+RN</b>
	<u>Significant clinical services</u>		<u>Other clinical services</u>
	<ul style="list-style-type: none"> <li>● OT (LSP 2/F)</li> <li>● ICU (LSP 13/F)</li> <li>● Renal Dialysis Centre (LSP 16/F)</li> <li>● Maternity Ward/nursery (LSP 28/F &amp; 29/F)</li> </ul>		<ul style="list-style-type: none"> <li>● OPD (LSP G/F)</li> <li>● PPC/WC/PC (LSP 1/F)</li> <li>● CSSD (LSP 3/F)</li> <li>● RSC (LSP 5/F)</li> <li>● O&amp;GC/IVFC (LSP 6/F)</li> <li>● D of D (LSP 7/F)</li> <li>● D of O (LSP 8/F)</li> <li>● <u>All centres (LSP 9/F)</u> ←</li> <li>● All centres (LSP 10/F)</li> </ul>
	<b>SMO+SHA+HA</b>	<b>CNO/NO+RN</b>	
<u>Other clinical services</u>		<u>Other clinical services</u>	
<ul style="list-style-type: none"> <li>● Pharm/Radio (LSP G/F)</li> <li>● Radio/CT/MRI (LSP 1/F)</li> <li>● LC (LSP 3/F)</li> </ul>		<ul style="list-style-type: none"> <li>● Wards (LSP 20/F)</li> <li>● Wards (LSP 21/F)</li> </ul>	
<b>Day 2 (AM)</b>	<b>CNO+RN</b>		<b>NO+RN</b>
	<u>Other clinical services</u>		<u>Other clinical services</u>
<ul style="list-style-type: none"> <li>● PW and Lab (LSP 26/F)</li> <li>● All services (LSP 27/F)</li> <li>● Wards (LSP 31-37/F)</li> </ul>		<ul style="list-style-type: none"> <li>● Wards (LSP 22-25)</li> <li>● Centres (CB 5/F)</li> <li>● Ortho Centre (CB 7/F)</li> <li>● Plastic Centre (LSF G/F)</li> </ul>	<b>SHA+HA</b>
			<u>Supporting services/Other clinical services</u>
			<ul style="list-style-type: none"> <li>● Canteen (LSP 4/F)</li> <li>● Supplies D (LSP 7/F)</li> <li>● PET/Hydro Pool (LSP 18/F)</li> <li>● Physio/Gym (LSP 19/F)</li> <li>● Tomo/P&amp;O Unit (CB 2/F)</li> <li>● MRO (Phase II 5/F)</li> </ul>

Day 2 (PM)	MO+CNO+RN	NO+RN	MO+SHA+HA
	<u>Other clinical services</u> <ul style="list-style-type: none"> <li>● Cardiac Cath (LSP 15/F)</li> <li>● Endoscopy (LSP 15/F)</li> </ul> <u>Documents</u>	<u>Documents</u>	<u>Other clinical services</u> <ul style="list-style-type: none"> <li>● All services (CB 3/F)</li> <li>● <u>All services (CB 4/F)</u> ←</li> <li>● Path/Pharm (LSF 1/F)</li> </ul> <u>Documents</u>



**Inspection Plan for the [REDACTED] Hospital**  
(6-7 December 2011)

Day 1	SMO+CNO+RN	MO+NO+SHA	NO+HA
	<ul style="list-style-type: none"> <li>● OT (LSP 2/F)</li> <li>● ICU (LSP 13/F)</li> <li>● Maternity/Nursery (LSP 27-29/F)</li> <li>● Paediatric Ward (LSP 26/F)</li> </ul>	<ul style="list-style-type: none"> <li>● Pharmacy (LSP G/F)</li> <li>● OPD, SOPD, Private Clinic (LSP G-1/F)</li> <li>● Radiotherapy/MRI/CT (LSP 1/F)</li> <li>● Linear Accelerator, Tomotherapy (CB 2/F)</li> <li>● Lithotripsy Centre, Bone Densitometry, USG, Mammogram, MRI (LSP and CB 3/F)</li> <li>● Nuclear Medicine/PET/Hydrotherapy (LSP 18/F)</li> <li>● CSSD (LSP 3/F)</li> </ul>	<ul style="list-style-type: none"> <li>● Health Assessment/Dietetic/Endocrine Centre/Hepatology/Nephrology Centre/Clinical Psychology/Respiratory/Urology Centre (LSP 10/F)</li> <li>● O&amp;G/Surgery Centre (LSP 9/F) ←</li> <li>● Ortho and Sports Centre (CB 7/F)</li> <li>● Refractive/Cataract Centre (LSP and CB 5/F)</li> <li>● Day Care Ward, Oncology Centre, Cancer Genetic Centre, Pain Centre (CB 4/F) ←</li> <li>● Plastic Centre (CB 3/F)</li> <li>● Prosthetic Service (CB 2/F)</li> <li>● SOPD (LSF 2-3/F)</li> </ul>
	<ul style="list-style-type: none"> <li>● Ward (LSP 20/F)</li> <li>● Ward (LSP 21/F)</li> <li>● Ward (LSP 22/F)</li> <li>● Ward (LSP 23/F)</li> </ul> <p><u>Documents</u></p> <ul style="list-style-type: none"> <li>● Obstetric Certificates</li> <li>● Hospital policies and relevant reports:               <ul style="list-style-type: none"> <li>■ Incident</li> <li>■ Complaint</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Cardiology Centre (LSP 27/F)</li> <li>● Pharmacy, Renal Dialysis Centre, CT simulator (LSP 16/F)</li> <li>● Cardiac Centre, Endoscopy (LSP 15/F)</li> <li>● O&amp;G Centre, IVF Centre (LSP and CB 6/F)</li> </ul>	<ul style="list-style-type: none"> <li>● Hearing and Dizziness Lab (LSP 27/F)</li> <li>● ENT Head and Neck Centre (LSP 27/F)</li> <li>● Ward (LSP 37/F)</li> <li>● Ward (LSP 36/F)</li> <li>● Ward (LSP 35/F)</li> <li>● Ward (LSP 33/F)</li> </ul>

Day 2	MO+NO+HA	SHA
	<ul style="list-style-type: none"><li>● Pathology (LSF 1/F)</li><li>● Ward (LSP 32/F)</li><li>● Ward (LSP 31/F)</li><li>● Ward (LSP 12/F)</li><li>● Satellite Clinic (Eye/Clinical Psychology/Fam Med Centre) (Central)</li></ul>	<ul style="list-style-type: none"><li>● Physiotherapy Dept. (LSP 19/F)</li><li>● Dentistry (LSP 7/F)</li><li>● Canteen and Kitchen (LSP 4/F)</li><li>● Laundry (LSF B1)</li><li>● Mortuary</li><li>● E&amp;M (LSF B1, LSP 17/F)</li><li>● Admission Department (CB G/F)</li><li>●</li></ul> <p><u>Documents</u></p> <ul style="list-style-type: none"><li>● System, Policy/Procedure, Schedule, Record, Irregularities<ul style="list-style-type: none"><li>■ Maintenance</li><li>■ Waste Management</li><li>■ Cleansing service</li><li>■ Ventilation</li><li>■ Dangerous goods and medical gases</li><li>■ Admission, fees and charges</li></ul></li></ul>

Debriefing (Tentative): 12 December 2011

**Inspection Report**

<b>Name of PH/NH</b>	[REDACTED]	
<b>Inspection</b>		
<b>Date of Inspection</b>	20 October 2011	
<b>ORHI Team Members</b>	<u>20 October 2011</u> PMO(1), SMO(R)2, Ag.SMO(R)1, MO(R)2, CNO(R), SHA(R), NO(R)1, NO(R)2, RN(R)1, PT(N) & HA(R)  <u>20 October 2011 (pm): [REDACTED] Clinic &amp; [REDACTED] Clinic</u> MO(R)2 & HA(R)	
<b>Staff Interviewed</b>	<u>20 October 2011</u> [REDACTED] (Duty Nursing Director), [REDACTED] (Nursing Officer), [REDACTED] (Nursing Officer, Operating Theatre), [REDACTED] (Nursing Officer, OPD), [REDACTED] (Senior Executive Manager), [REDACTED] (Executive Manager) and Person in-charge or the deputing person of respective service.  <u>20 October 2011 (pm): [REDACTED] Clinic &amp; [REDACTED] Clinic</u> [REDACTED] Clinic Assistant ([REDACTED]) [REDACTED] Clinic Assistant ([REDACTED])	
<b>Post-Inspection Meeting</b>		
<b>Date of Meeting</b>	2 November 2011	
<b>Attendance</b>	<u>ORHI</u> PMO(1), SMO(R)1, SHA(R), CNO(R)  <u>[REDACTED] Hospital</u> [REDACTED] (Hospital Superintendent), [REDACTED] (Hospital Superintendent (designate)), [REDACTED] (Duty Nursing Director), [REDACTED] (Nursing Officer, Operating Theatre), [REDACTED] (Senior Executive Manager)	
<b>Assessment</b>		
<b>Overall Assessment</b>		Satisfactory
		Generally satisfactory, with follow-up action
	✓	Partially satisfactory, with irregularities to be rectified
		Unsatisfactory

<b>Plan for follow-up</b>	<input type="checkbox"/> Routine inspection <input checked="" type="checkbox"/> To re-assess upon completion of improvement work on the electricity supply system of the whole hospital
<b>Recommendation for Re-registration</b>	<input type="checkbox"/> Recommended <input checked="" type="checkbox"/> On conditional basis <input type="checkbox"/> Not recommended

<b>Prepared By:</b>	[Redacted] / HA(R) [Redacted] 12/12/2011	[Redacted] NO(R)1 [Redacted] 12/12/2011
<b>Endorsed by:</b>	Signature : [Redacted] Name : [Redacted] Post : SMO(R)1 Date : 19 Dec. 2011	Signature : [Redacted] Name : [Redacted] Post : PMO(1) Date : 19.12.11

**Part 1 General Requirements**

		Sat <sup>1</sup>	Partially Sat <sup>2</sup>	Unsat <sup>3</sup>	NA <sup>4</sup>	Remarks
1.	Organisation and Administration of an Establishment	✓				
2.	Accommodation and Equipment	✓				
3.	Staffing and Human Resources Management	✓				
4.	Quality Management of Services	✓				
5.	Policies and Procedures		✓			(1)
6.	Rights of Patients	✓				
7.	Patient Care	✓				
8.	Risk Management		✓			(2)
9.	Medical Records	✓				
10.	Research				✓	
11.	Information to be Submitted to Director of Health	✓				

**Remarks/Overall comment:**

**(1) Policies and Procedures**

Rehabilitation Ward of 2/F

- There were no guidelines on ‘feeding the elderly especially for those with swallowing difficulty’ and ‘early detection of abnormal behaviours or condition’.

Lam Tin & Shatin Clinics

- Guideline on handling clinical waste was not updated in accordance with the “Code of Practice for the Management of Clinical Waste” issued by Environmental Protection Department in 2010.

**(2) Risk Management**

3/F isolation room

- There was no monitoring of air change rates or pressure differential for isolation rooms

<sup>1</sup> Satisfactory

<sup>2</sup> Partially Satisfactory

<sup>3</sup> Unsatisfactory

<sup>4</sup> Not Applicable

**Part 2 Standards on Clinical Services**

The hospital provides the following clinical services: (those marked with “\*” were inspected)

- Day Surgery and Endoscopy Unit\*
- Dental Clinic\*
- Diagnostic Radiology Department\*
- Dietetic & Weight Mx Centre\*
- Echo & Stress Test Lab\*
- Eye Centre
- Lithotripsy & Endourology Centre\*
- Mixed Ward (Rehab, Day and General)\*
- Oncology Service\*
- Operating Theatres\*
- Out-patient Department\*
- Pharmacy and Dispensing Service\*
- Pathology / Laboratory Services\*
- Physiotherapy Service\*
- Satellite Clinics (Lam Tin Clinic and Shatin Clinic)\*
- Skin Laser and Cosmetic Surgery Centre\*
- Specialist Clinic\*
- Urodynamic Lab\*
- Women’s Health Centre & Breast Centre\*

		Sat <sup>1</sup>	Partially Sat <sup>2</sup>	Unsat <sup>3</sup>	NA <sup>4</sup>	Remarks
1.	General Requirements	✓				
2.	Staffing	✓				
3.	Facilities and Equipment		✓			(3)
4.	Medication Management		✓			(4)
5.	Records	✓				
6.	Blood Bank	✓				
7.	Other Requirements	✓				

**Remarks/Overall comment:**

**(3) Facilities and Equipment**

Operation Theatre

- There was only one defibrillator/E-trolley placed in OT Room 1 for shared use in Operation Theatres, Recovery Room & Endoscopy Unit. Operation in OT Room 1 may be interrupted in case defibrillator/E-trolley is needed in other OT rooms, Recovery Room or Endoscopy Unit.

Diagnostic Radiology Department

- There was no call bell in the changing room of X-ray unit for emergency use.

#### **(4) Medication Management**

##### 2/F (Rehab. ward)

- Syrup medicines were found prepared in advance and in batch whereas the containers were labeled with only one unique patient identifier (patient name) plus bed number.
- Medicines were also found crushed in advance in batch for Ryle's tube feeding patients without adequate labelling.

##### Operation Theatre

- Dangerous drugs checking record was not timely signed on some days.
- Temperature reading of the medication fridge was 13°C at the time of visit.

##### All clinical services (e.g. Pharmacy, OT, OPD)

- There was no regular maintenance for fridges that store drugs and vaccines.
- The highest and lowest temperature was not monitored in the fridge that stored vaccines. Cold chain of vaccines cannot be guaranteed.

**Part 3 Standards on Support Services**

		Sat <sup>1</sup>	Partially Sat <sup>2</sup>	Unsat <sup>3</sup>	NA <sup>4</sup>	Remarks
1.	Housekeeping Service	✓				
2.	Catering Service		✓			(5)
3.	Linen and Laundry Services	✓				
4.	Clinical and Chemical Wastes Management	✓				
5.	Storage and Supply of Medical Gases	✓				
6.	Mortuary Service	✓				
7.	Central Sterile Supplies Service	✓				

**Remarks/Overall comment:**

**(5) Catering Service**

- There was no refresher training on food safety for catering staff in recent two years.

***Others***

**Electricity Supply and Distribution System**

The Department of Health has commissioned a contractor [REDACTED] to conduct a review of the electricity supply and distribution system of [REDACTED] Hospital with professional assistance from the Electrical and Mechanical Services Department from August to October 2011. Please refer to the summary report and the contractor's report for the details.

The [REDACTED] Hospital was required, as condition for registration, to implement improvement measures.

**-- END --**



## Summary Report of Inspection

Name of Private Hospital:	████████████████████
Date of Inspection:	20 October 2011
Overall assessment:	Partially satisfactory, with irregularities to be rectified

### **A) Areas for review/improvement**

#### ***I. General Requirements:***

##### **Accommodation and equipment**

###### **Electricity supply system**

- Refer to conditions of registration.

###### **Policies and Procedures**

- To develop guidelines on 'feeding the elderly especially for those with swallowing difficulty' and 'early detection of abnormal behaviour or condition' and circulate to staff regularly.
- To update the guideline on handling clinical waste in accordance with the "Code of Practice for the Management of Clinical Waste" issued by Environmental Protection Department in June 2010.

###### **Risk Management**

- To ensure that air change rates and pressure differentials of isolation rooms are monitored periodically

#### ***II. Standards on clinical services:***

##### **Facilities and Equipment**

- To ensure that there are adequate resuscitation equipment (e.g. defibrillator and E-trolley) in Operating Theatres, Recovery Room & Endoscopy Unit and the equipment should be readily accessible without affecting patients who are undergoing operation;
- To ensure fridges for drugs and vaccines are in good condition and cold-chain of vaccines can be maintained and monitored; and
- To install call-bell in all changing rooms in Diagnostic Radiology Department to ensure patient safety.

##### **Medication Management**

- To ensure compliance with the requirements of keeping dangerous drugs register.
- To adopt proper drug administration procedures. Medications prepared in advance in batch should be adequately labelled with at least two unique patient identifiers.

### ***III. Standards on support services:***

#### **Catering Service**

- To provide refresher training on food safety to catering staff

#### **B) General advice**

The following matters were brought to the attention of the hospitals in light of the medical incidents and complaints received by the Department of Health in 2011 concerning private hospitals.

- Guidelines and drills to ensure prompt emergency response and resuscitation;
- Observation and timely management of patients with deteriorating conditions;
- Protocols and drills for urgent blood transfusion;
- No reuse of single-use medical device;
- Radiation health and occupational safety; and
- Timely reporting of sentinel events;

Office for Registration of Healthcare Institutions  
Department of Health

December 2011

## Inspection Report

<b>Name of PH/NH</b>	[REDACTED] Hospital [REDACTED]	
<b>Inspection</b>		
<b>Date of Inspection</b>	Hospital inspection: 6 December 2011 (whole day) and 7 December 2011 (am)	
<b>ORHI Team Members</b>	<p>Hospital inspection:</p> <p><u>6 December 2011</u></p> <p>PMO(1), SMO(R)1, CNO(R), SHA(R), MO (R)1, NO(R)1, NO (R)2, RN(R)1, RN(R)2 &amp; HA(R)</p> <p><u>7 December 2011 (am)</u></p> <p>MO(R)1, NO(R)1, RN(R)1 &amp; HA(R) for main building; MO(R)1, RN(R)1 &amp; HA (R) for Satellite Clinics</p>	
<b>Staff Interviewed</b>	<p><u>Hospital inspection:</u></p> <p>[REDACTED] (Director of Nursing Services), [REDACTED] (Assistant Matron), [REDACTED] (Nursing Officer), [REDACTED] (Senior Sister), [REDACTED] (Engineering Manager), [REDACTED] (Biomedical Engineer), and Person in-charge or the deputing person of respective service</p> <p><u>Satellite Clinics inspection:</u></p> <p>[REDACTED] (Registered Nurse), Family Medicine Clinic</p> <p>[REDACTED] (Senior Sister), Person in-charge of Eye Clinic</p>	
<b>Post-Inspection Meeting</b>		
<b>Date of Meeting</b>	16 December 2011	
<b>Attendance</b>	<p><u>ORHI</u></p> <p>PMO(1), SMO(R)1, CNO(R), SHA(R),</p> <p>[REDACTED]</p> <p>[REDACTED] (Medical Superintendent), [REDACTED] (Director of Nursing Services), [REDACTED] (Matron), [REDACTED] (Nursing Officer) and [REDACTED] (Engineering Manager)</p>	
<b>Assessment</b>		
<b>Overall Assessment</b>	✓	Satisfactory
	<input type="checkbox"/>	Generally satisfactory, with follow-up action
	<input type="checkbox"/>	Partially satisfactory, with irregularities to be rectified
	<input type="checkbox"/>	Unsatisfactory
<b>Plan for follow-up</b>	<input checked="" type="checkbox"/> Routine inspection <input type="checkbox"/> To re-inspect in _____ days/ weeks/ months	
<b>Recommendation for Re-registration</b>	<input checked="" type="checkbox"/> Recommended <input type="checkbox"/> On conditional basis	

	<input type="checkbox"/> Not recommended	
<b>Prepared By:</b>	[Redacted] / HA(R) 12/12/2011	[Redacted] / NO(R)1 19/12/2011
<b>Endorsed by:</b>	Signature : [Redacted]	Signature : [Redacted]
	Name : Dr. [Redacted]	Name : Dr. [Redacted]
	Post : SMO(R)1	Post : PMO(1)
	Date : 19 Dec. 2011	Date : 19.12.11

*Part 1 General Requirements*

		Sat <sup>1</sup>	Partially Sat <sup>2</sup>	Unsat <sup>3</sup>	NA <sup>4</sup>	Remarks
1.	Organisation and Administration of an Establishment	✓				
2.	Accommodation and Equipment	✓				
3.	Staffing and Human Resources Management	✓				
4.	Quality Management of Services	✓				
5.	Policies and Procedures	✓				
6.	Rights of Patients	✓				
7.	Patient Care	✓				
8.	Risk Management		✓			(1)
9.	Medical Records	✓				
10.	Research				✓	
11.	Information to be Submitted to Director of Health	✓				

Remarks/Overall comment:

(1) Risk Management

Pharmacy

- A staff member was noted preparing drugs for several patients at a time, and sticking the drug labels for different patients onto his coat before transferring them to the plastic bags containing the dispensed drugs. This practice poses risks of mislabeling and hence mix-up of drugs dispensed for different patients.

Pathology

- Specimens and laboratory request forms of individual patients were unpacked from their individual bags at the reception for assigning laboratory number and printing gum label. Blood tubes and laboratory request forms of different patients were then put together and staff would adhere new gum labels on to the blood tubes, of which the original label with patients' identifiers would be covered. This practice poses risk of mislabeling and hence mix-up of patients' specimen.

<sup>1</sup> Satisfactory  
<sup>2</sup> Partially Satisfactory  
<sup>3</sup> Unsatisfactory  
<sup>4</sup> Not Applicable

*Part 2 Standards on Clinical Services*

---

The hospital provides the following clinical services: (those marked with "\*" were inspected)

- Cardiac Catheterization Service (Cardiac Catheterization & Intervention Centre, Cardiology Centre, Cardiac Lab) \*
- Clinical Health Psychology Centre\*
- Dental Service\*
- Ear, Nose & Throat\*
- Endocrine & Diabetes Centre\*
- Endoscopy Unit\*
- Gastroenterology & Hepatology Centre\*
- Haemodialysis Service\*
- Health Assessment Centre\*
- Hearing and Dizziness Laboratory\*
- In Vitro Fertilization Centre\*
- Intensive Care Unit\*
- Maternity and Nursery \*
- Nuclear Medicine & PET \*
- Obstetrics & Gynaecology Department\*
- Oncology Service / Chemotherapy Service / Preparation of Cytotoxic Drugs\*
- Operation Theatre\*
- Ophthalmology Service (Cataract Surgery Centre, Optometry & Contact Lens Centre, Refractive Surgery Centre) \*
- Orthopaedic and Sport Centre\*
- Out-patient Department\*
- Paediatric Clinic\*
- Pain management Centre
- Pathology Service (Clinical Pathology, Histopathology, Molecular Pathology)\*
- Pharmacy Service\*
- Physiotherapy Service (including Hydrotherapy) \*
- Private Patient Clinic\*
- Prosthetic & Orthotic Unit\*
- Radiology Service (CT simulator, Lithotripsy Centre, MRI & X-ray)\*
- Radiotherapy (Tomotherapy)\*
- Respiratory Medicine Centre\*
- Satellite Clinics (Clinical Psychology, Eye Clinic and Family Medicine Clinic)\*
- Skin Centre (Plastics Surgery and Reconstruction Centre)\*
- Surgery Centre
- Urology Centre\*
- Wards (Assisted Ventilation, Day Care, Paediatric, Paediatric Sleep Laboratory, Sleep

Laboratory, Low Infection, Isolation, Radioactive isolation)\*

- Women's Health Service & Women's Health Centre\*

		Sat <sup>1</sup>	Partially Sat <sup>2</sup>	Unsat <sup>3</sup>	NA <sup>4</sup>	Remarks
1.	General Requirements	✓				
2.	Staffing	✓				
3.	Facilities and Equipment		✓			(2)
4.	Medication Management	✓				
5.	Records	✓				
6.	Blood Bank	✓				
7.	Other Requirements	✓				

**Remarks/Overall comment:**

**(2) Facilities and Equipment**

Labour room (LSP 27/F), Ward (LSP 22/F & 23/F), Private Ward ((LSP 35/F & LSP 36/F) & Oncology Centre (LSP 3/F).

- Checking practices for E-Trolley were found not standardized. Checking records showed that staff did not perform the weekly checking in a timely manner.

**Part 3      Standards on Support Services**

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		Sat <sup>1</sup>	Partially Sat <sup>2</sup>	Unsat <sup>3</sup>	NA <sup>4</sup>	Remarks
1.	Housekeeping Service	✓				
2.	Catering Service	✓				
3.	Linen and Laundry Services	✓				
4.	Clinical and Chemical Wastes Management	✓				
5.	Storage and Supply of Medical Gases	✓				
6.	Mortuary Service	✓				
7.	Central Sterile Supplies Service	✓				

**Remarks/Overall comment:**

Satisfactory

**-- END --**



## Summary Report of Inspection

Name of Private Hospital:	██████████ Hospital ██████████
Date of Inspection:	6 & 7 December 2011
Overall assessment:	Satisfactory

### Advice given to hospital

#### *I. General requirements:*

##### Risk Management

- To review practices of drug dispensing in pharmacy to minimize risk of mislabelling of drugs.
- To review handling of specimens at the Pathology unit to ensure correct labelling and processing of blood specimens.

#### *II. Standards on clinical services:*

##### Facilities and Equipment

- To standardize practices, in terms of frequency, use of checklists and documentation, in checking emergency trolleys.

#### *III. Standards on support services:*

Nil

#### *IV. Others*

##### General advice

The following matters were brought to the attention of the hospital in light of the medical incidents and complaints received by the Department of Health in 2011 concerning private hospitals.

- Guidelines and drills to ensure prompt emergency response and resuscitation;
- Observation and timely management of patients with deteriorating conditions;
- Protocols and drills for urgent blood transfusion;
- No reuse of single-use medical device;
- Radiation health and occupational safety;
- Timely reporting of sentinel events;
- Operation of maternity services within the scale and scope registered with DH; and
- Properly equipped neonatal services to cater for babies requiring special care.

Office for Registration of Healthcare Institutions  
Department of Health

December 2011

## Checklist on Compliance with Land Grant Conditions

Name of Hospital: \_\_\_\_\_  
 Land Lots: \_\_\_\_\_  
 Compliance check for Year: \_\_\_\_\_

**Table A – Submission of Documentation / Notification by hospital relevant to land grants**

No.	Land Grant Conditions	Details	Date of Submission / Information	Date of Completeness of submission(s)
1	The Director of Health should be <b>informed of fees to be charged</b> in the hospital not less than once every six months	1.1 Notifications on fees schedule received over last 12 months _____ _____	1.1 _____	1.1 _____
2	Provision of free or low-charge beds and services as when required by the Director of Health to his satisfaction <i>(TWAH only)</i>	2.1 Location : _____ 2.2 Utilization : _____	1.1 _____ 2.1 _____	1.1 _____ 2.1 _____
3	Utilization statistics of hospital beds	3.1 Annual Statements of bed occupancy	3.1 _____	3.1 _____
4	Provision of not less than <b>20%</b> hospital beds as low-charge beds <i>(TWAH and STH only)</i>	4.1 Number of hospital beds in <b>related PTG sites(a)</b> : _____ 4.2 Number of low- charge beds (b): _____ _____	4.1 _____ 4.2 _____	4.1 _____ 4.2 _____

		4.3 Locations: _____	4.3 _____	4.3 _____
		4.4 Copies of <b>five</b> invoices of the following dates: _____ _____	4.4 _____	4.4 _____
		4.5 Percentage [(b)/(a)]x100: _____	4.5 _____	4.5 _____
5	Provision of free beds ( <i>STH only</i> )	5.1 Number of free beds: _____	5.1 _____	5.1 _____
		5.2 Locations: _____	5.2 _____	5.2 _____
		5.3 Copies of ___ invoices of the following dates: _____	5.3 _____	5.3 _____
6	Audited Financial Statements	6.1 Financial statement for _____ ( <i>year</i> ) signed by auditors	6.1 _____	6.1 _____
		6.2 Certification on compliance with plough-back of profits to the improvement or extension of said hospital	6.2 _____	6.2 _____
		6.3 Certification on compliance with provision of free / low-charge beds	6.3 _____	6.3 _____
7	Other information as required by DH ( <i>as appropriate</i> )	7.1 _____ _____ _____	7.1 _____	7.1 _____

**Table B – Inspection**

Item No.	Land Grant Conditions	Details	Date of Inspection	Name of Inspection Officers
1	Hospital services required by land grant	1.1 Provision of required facilities <input type="checkbox"/> Yes <input type="checkbox"/> No 1.2 Any other facilities approved by DH: _____	1.1 _____  1.2 _____	1.1: _____  1.2: _____
2.	Provision of not less than <b>20%</b> hospital beds as low-charge beds <i>(TWAH and STH only)</i>	2.1 Number of low- charge beds: _____ 2.2 Locations: _____ 2.3 Copies of ___ invoices of dates specified by DH: _____	2.1 _____  2.2 _____  2.3 _____	2.1: _____  2.2: _____  2.3: _____
3	Provision of free beds <i>(STH only)</i>	3.1 Number of free beds: _____ 3.2 Locations: _____ 3.3 Copies of ___ invoices of dates specified by DH: _____	3.1 _____  3.2 _____  3.3 _____	3.1: _____  3.2: _____  3.3: _____

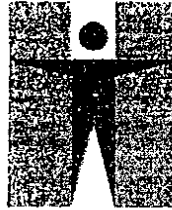
**Table C – Examination of documents**

Item No	Land Grant Conditions	Findings	Date of Examination	Compliance
1	Financial statement		Date: _____ Officer: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No and referred to LandsD
2	Provision of free or low-charge beds and services as when required by the Director of Health to his satisfaction and related invoices <i>(TWAH only)</i>		Date: _____ Officer: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No and referred to LandsD
3	Provision of not less than <b>20%</b> hospital beds as low-charge beds and related invoices <i>(TWAH and STH only)</i>		Date: _____ Officer: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No and referred to LandsD
4	Provision of free beds and related invoices <i>(STH only)</i>		Date: _____ Officer: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No and referred to LandsD
5	Hospital services required by land grant		Date: _____ Officer: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No and referred to LandsD

**Table D – Outstanding Issues and follow up**

<b>Item No.</b>	<b>Details</b>	<b>Action Officer</b>

香港特別行政區政府  
衛生署  
醫護機構註冊辦事處



THE GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION  
DEPARTMENT OF HEALTH  
OFFICE FOR REGISTRATION OF  
HEALTHCARE INSTITUTIONS

香港灣仔皇后大道東 183 號  
合和中心 31 樓 3101 室

RM 3101, 31/F, HOPEWELL CENTRE,  
183 QUEEN'S ROAD EAST, WAN CHAI,  
HONG KONG

本署檔號 OUR REF.: ( 46 ) in DH/ORHI/11/4/4/1 Pt. 7

By fax: 2339 8835

來函檔號 YOUR REF.:

and by post

電話 TEL.: 3107 8488

傳真 FAX: 2126 7515

29 December 2011

Dr [REDACTED]  
Chief Executive Officer  
[REDACTED] Hospital  
[REDACTED]  
[REDACTED]

Dear Dr [REDACTED],

### Conditions relating to Equipment and Staffing

I refer to the inspection to the [REDACTED] Hospital ("the [REDACTED] Hospital") on 21 and 22 of November 2011 by the officers of Department of Health (DH), and the meeting on 5 December between the management of the Hospital and DH officers. I am writing to re-iterate our concerns over the deficiencies relating to equipment and staffing of your hospital, which we had pointed out during the inspection and the meeting, and urge for immediate improvement measures.

Based on our inspection, interviews with staff on-spot and checking of records, we identified a number of deficiencies of the [REDACTED] Hospital where improvements are necessary. Among others, the following are of particular concern -

#### Equipment

##### **(1) Maintenance of Equipment**

- Lapses in the regular preventive maintenance of medical equipment were noted. The clinical services relied on the Medical Equipment Maintenance Unit of the Hospital to generate reminders but the latter could only do so for selected equipment. The Hospital did not have a systematic way to keep track, with effective alert/reminding mechanisms, of the maintenance status of all medical equipment including those in critical clinical areas. The responsibility to ensure timely maintenance was unclear between users in clinical services and the Medical Equipment Maintenance Unit;

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- The Hospital continued to use defective refrigerators to store medicines (including vaccines) that required vigilant temperature control, and abnormal readings of temperature monitoring were ignored.

### Staffing

#### **(2) Emergency- cover roster**

- Anaesthetists were put on -call for 7 days consecutively.

#### **(3) Discharge of post-operation patients from recovery area to wards**

- Patients were routinely discharged from recovery area to wards by nurses without documented assessment or discharge plan by anaesthetist/surgeon. There was no written policy or protocol in respect of the delegation of authority to discharge patients. There was also no guideline for nurses to decide when the patients may be considered fit to be discharged to wards.

#### **(4) Observation of newborns in nursery**



- Routine observation of newborns in the nursery was primarily done and recorded by health care assistants (HCAs). It was not clearly indicated in the record as to whether the observation was done by nurses or by HCAs. There was no clear policy on regular nursing observation in the nursery.

The above conditions and practices are highly undesirable and pose risks to patient safety. Your hospital had been requested, during our inspection and at our meeting of 5 December, to take immediate improvement measures to rectify the situation. Please refer to the enclosed "Summary Report of the Inspection" for detailed advice on the above matters. You are requested to critically review the existing arrangements and ensure that appropriate policy/guidelines and monitoring mechanisms are in place.

As a condition of registration of the Hospital for year 2012, you are required take immediate remedial actions and to report, **on or before 31 January 2012**, to the Director of Health on the measures implemented. You are also reminded that the requirements in relation to accommodation, equipment and staffing shall be complied with at all times.

In accordance with the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap 165), the Director of Health may refuse to register a private hospital, or at any time cancel a registration, if conditions relating to the accommodation, staff or equipment are considered unfit.

Yours sincerely,

  
(Df )  
for Director of Health

b.c.c. DD  
AD(HA&P)

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## Summary Report of Inspection

Name of Private Hospital:	██████████ Hospital (██████████)
Date of Inspection:	21 & 22.11.2011 - Main Hospital 22.11.2011 - ██████████ - Chinese Medicine Clinic & Holistic Care Service Centre ██████████ - Chinese Medicine Clinic & Renal Centre
Overall assessment:	Partially satisfactory, with irregularities to be rectified

### A) Areas for improvement

#### *I. General requirements:*

##### Accommodation and equipment

- There should be complete inventory of medical equipment, with maintenance schedule and the responsible officers, in place;
- There should be monitoring system in place to check servicing records and to keep track, with alert/reminding mechanisms, of the maintenance status of all equipment. There should be complete records of equipment servicing and monitoring.
- There should be mechanisms in place to ensure proper handling and setting up of sterile instrument.
- Users should ensure all equipment in use are properly maintained and in good order. Regular checking of equipment by users during day-to-day operation should be systematic and clearly documented, and should be audited from time to time.

##### Staffing and Human Resources Management

- There should be at all times an appropriate number of staff taking into account the number and needs of patients and types of services provided. The on-call roster of doctors should be devised in such a manner that doctors are not put on-call consecutively for a prolonged period.

##### Quality Management of Services

- The hospital needs to critically review medical incidents and near misses and devise effective corrective actions with a view to minimizing the risk of recurrence and ensuring patient safety.

### Risk Management

- Written guidelines for setting up sterile field should be drawn up.
- Reverse osmosis systems for haemodialysis at ICU/HDU should be installed in a clean area of restricted access.
- Emergency trolley should be checked regularly and should not be obstructed by other objects.
- CPR drills should be conducted by individual clinical services regularly. Proper record of the CPR drills should be kept.
- Supply of KCl solution of different concentrations to clinical areas should be avoided, or sufficiently prominent label must be added to the concentrated solution to alert the staff.

### Medical Records

- Time of doctors' consultation should be entered in patient's medical record where appropriate. All medical records should be accurate and complete to enable the retrieval of information required for review and quality assurance activities.

## *II. Standards on clinical services:*

### Staffing, Policies and Procedures, and Patient Cares

- Clear policy and guidelines should be devised on the care of patients at recovery area of operating theatre. Delegation of authority to discharge patients should be clearly documented. Decision to discharge patients should be accurately documented in patients' record.
- The newborns in the Nursery should be cared primarily by nurses instead of by health care assistants (HCAs). Clear guidelines should be in place for HCAs assisting the nurses' work. There should be clear documentation of nursing observations and the responsible staff.

### Medication Management

- The records of dangerous drugs records should be properly kept in accordance with the Dangerous Drugs Ordinance (Cap.134).
- There should be proper monitoring of storage of medicines (e.g. vaccines) and maintenance of cold chain.
- Guidelines should be developed for resumption of medications post-operatively.

## *III. Standards on support services:*

- Nil.

## **B) General advice**

The following matters were brought to the attention of the hospital in light of the medical incidents and complaints received by the Department of Health in 2011 concerning private hospitals.

- Guidelines and drills to ensure prompt emergency response and resuscitation;
- Observation and timely management of patients with deteriorating conditions;
- Protocols and drills for urgent blood transfusion;
- No reuse of single-use medical device;
- Radiation health and occupational safety;
- Timely reporting of sentinel events;
- Operation of maternity services within the scale and scope registered with DH; and
- Properly equipped neonatal services to cater for babies requiring special care

Office for Registration of Healthcare Institutions  
Department of Health  
December 2011

香港特別行政區政府  
衛生署  
醫護機構註冊辦事處

香港灣仔皇后大道東 183 號  
合和中心 31 樓 3101 室



THE GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION  
DEPARTMENT OF HEALTH  
OFFICE FOR REGISTRATION OF  
HEALTHCARE INSTITUTIONS

RM 3101, 31/F, HOPEWELL CENTRE,  
183 QUEEN'S ROAD EAST, WAN CHAI,  
HONG KONG

本署檔號 OUR REF.: (7) in DH/ORHI/CON/17/11 Pt.4

來函檔號 YOUR REF.:

電 話 TEL.: 3107 8451

傳 真 FAX: 2126 7515

6 December 2012

Miss Mary SO  
Clerk, Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Miss SO,

**Public Accounts Committee (PAC)**  
**Consideration of Chapter 3 of the Director of Audit's Report No. 59**  
**Regulatory Control of Private Hospitals**

I refer to your letters dated 3 and 4 December 2012 and would like to provide the following information and documents for the Committee's consideration –

*(a) Number of referral by the Department of Health (DH) for sentinel events that involved professional misconduct occurred at private hospital*

As a prevailing practice, DH will refer cases suspected of contravening the law or involving professional misconduct to the relevant authorities or statutory bodies for consideration. Some examples are provided below-

- (i) Cases related to sentinel events reported by private hospitals
- In 2011, a case related to a treatment centre in a private hospital licensed under the Human Reproductive Technology Ordinance (Cap.561) was referred to the Council on Human Reproductive Technology.

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- In 2012, a death case involving a neonate who died soon after birth was referred to the Coroner.
- (ii) Cases related to complaints against private hospitals
- A death case occurred in 2011 was referred to the Coroner for investigation. The Coroner's findings and comments have been widely reported by the media recently (Annex 1).
  - DH has also referred complaints against private hospitals to relevant authority whenever necessary, e.g. Hong Kong Police Force, Office of the Privacy Commissioner for Personal Data and Buildings Department.
- (iii) Other cases handled by DH
- From January 2009 to November 2012, four cases involving registered medical practitioner, physiotherapist and chiropractor were referred to the respective statutory professional boards and councils for suspected professional misconduct (Annex 1a).

*(b) Guidelines to assist private hospitals in handling sentinel events and complaints*

Since the establishment of the sentinel event reporting system in 2007, DH has provided instructions, guidelines and feedbacks to private hospitals on reporting and handling sentinel events. The actions taken are summarized below –

- (i) Guidelines
- From 2007 to 2011, letters were sent to all private hospitals to provide instructions and guidance on the reporting of sentinel events. A standardised notification form was designed for private hospitals to facilitate their reporting (Annexes 2, 3, 4 and 5).
  - In 2010, a standardised investigation report was also introduced to guide and facilitate private hospitals to conduct investigation as well as to analyse the cause of sentinel event (Annex 6).
- (ii) Feedbacks
- In 2009, an annual feedback on sentinel event reported was sent to individual private hospitals (Annex 7).
  - In 2010, apart from the annual feedback, a review of sentinel events, which consists of summary of selected sentinel events and points to learn from these events, was sent to all private hospitals for sharing (Annex 8).

- Starting from 2011, the annual review has been revised and renamed as “Patient Safety Digest” with a view to foster the culture of patient safety in private hospitals. Apart from sentinel events, selected complaints and other events were also included in the Patient Safety Digest for sharing (Annexes 9 and 10).

As for the handling of complaints by private hospital, the Code of Practice for Private Hospitals, Nursing Homes and Maternity Homes (“the Code of Practice”) requires that private hospitals should develop their own procedures on complaint handling and that mechanism to be in place to ensure staff are conversant with relevant procedures.

Besides, the Code of Practice also stipulates that private hospitals are required to submit complaint digest to DH regularly. A standard proforma has been designed for private hospital to report complaints received (Annex 11). All complaint digests submitted by private hospitals were screened by DH’s professional staff (including doctors, nurses and hospital administrators) to look out for any potential sentinel events and cases that require further investigation and action.

*(c) Criteria adopted by DH for issuing regulatory letters in relation to delay in reporting sentinel events*

According to the Protocol for Sentinel Event Reporting System (March 2010) (Annex 12), DH will issue an advisory letter to the private hospital concerned if one or more of the following irregularities are noted in the course of investigation of the sentinel event:

- Non-compliance with established policies and procedural guidelines
- Repeated reporting of a similar event within a short period of time
- Lack of guidelines/protocols on essential procedures that link to patient safety
- Inadequacies that require prompt rectification/improvements

In such circumstances, if the issues concern accommodation, staffing or equipment, a warning letter will be issued instead.

Since 2011, advisory letters have also been issued to private hospitals for any sentinel events that was not reported to DH within 24 hours from its occurrence.

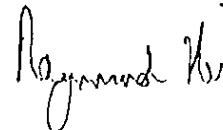
(d) *Other performance measures which DH would adopt to measure the efficiency and effectiveness of its regulatory work on private hospitals*

DH will take into account the audit recommendations and develop appropriate effective performance/outcome indicators in respect of the regulatory work on private hospitals (especially for providing the breakdown of inspections conducted for each type of healthcare institution) during the review of the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap.165) which should complete within a year's time.

(e) *Regulation made pursuant to Section 6(1) and (2) of the Ordinance*

No regulation has been made pursuant to Section 6 (1) and (2) of the Ordinance. The Code of Practice was promulgated in 2003 to set out the standards of good practice and quality of healthcare services. These standards include requirements on the management of staff, management of the premises and services, protection of the rights of patients and their right to know, the setting up of a system to deal with complaints, as well as management of medical incidents, etc. Compliance with the requirements listed in the Code of Practice is required for the registration and re-registration of private hospitals under Cap 165. Subject to the outcome of the ongoing review of Cap 165, we will consider the most appropriate and effective legislative means to regulate private hospitals.

Yours sincerely,



(Dr Raymond HO)  
for Director of Health

c.c.

Secretary for Food and Health  
Secretary for Financial Services and the Treasury  
Director of Audit

(Fax: 2102 2568)  
(Fax: 2147 5239)  
(Fax: 2583 9063)

} w/o enclosure

Internal  
DH CR/4-35/13C Pt.2

**\*Note by Clerk, PAC: Annexes 1 to 12 not attached.**

**Cases of suspected professional misconduct referred by the  
Department of Health to boards and councils of healthcare professionals**

**(January 2009 - November 2012)**

DH referred four cases of suspected professional misconduct to relevant professional boards and councils after investigation of complaints lodged to various service units. These cases were not related to private hospitals.

Date of referral	Profession concerned
May 2011	Physiotherapist
June 2012	Physiotherapist
July 2012	Medical Practitioner
October 2012	Chiropractor



Chief Estate Surveyor/ Estate Management (Regrant Section)	<b>MEMO</b>	To ..... Distribution
From .....		
Ref. (15) in BLD/SPL/WEL/75		
Tel. No. 848 6212		Your Ref. .... In .....
Date 23 FEB 1990		dated .....


Proposed Lease Extension of  
 New Kowloon Inland Lot No. [REDACTED]  
 [REDACTED], [REDACTED]

The above lot is held by [REDACTED] under a Lease dated 8.3.1982 for the purposes of a non-profit-making hospital. The lease under which the above lot is held has been classified as a special purpose lease under the New Territories Leases (Extension) Ordinance 1988 and this office is currently considering the extension of the lease term up to 30.6.2047.

2. It is now intended that the extension will be dealt with by means of the simplified extension document at Annex B. That is, the lease will be extended on the existing conditions. Any necessary amendments will be incorporated in the Conditions of Lease Extension or in a Modification Letter if appropriate. However, please note that only certain basic and essential conditions will be amended/inserted where there appears to be serious defect in the existing lease. Mere updating of special conditions to accord with standard clause will not be incorporated. The suggested modifications are now listed at Annex C attached.

3. Enclosed please find a copy of the existing lease at Annex A for your reference. I would be grateful if you could let me have your reply within 4 weeks from the date of this memo.

4. Would DSO/KW confirm that the area of actual occupation agrees with the leased area.



(Wilfred MOK)  
 for Chief Estate Surveyor/Estate Management  
 (Regrant Section)

Distribution

- |  |                  |
|--|------------------|
| DLO/KW                                   | DSO/KW           |
| Planning Dept.                           | RG(LO/MB)SPLU    |
| CHE/K, Hyd                               | D of FS          |
| CE/UD, DSD                               | D of EP          |
| GCO/CESD                                 | WSD              |
| <del>Director of Hospital Services</del> | DO(Kowloon City) |
| CETE/K, TD                               | CBS/K            |

Encl.

WM/cl

1971

H.K.I.L. [redacted]

*ph*

This Indenture made the *8<sup>th</sup>* day of *March*  
One thousand Nine hundred and *eighty two* Between Our Sovereign Lady ELIZABETH II  
by the Grace of God of the United Kingdom of Great Britain and Northern Ireland and of Her other  
Realms and Territories Queen Head of the Commonwealth Defender of the Faith (hereinafter referred to  
as "Her said Majesty" which expression shall where the context admits be deemed to include Her Heirs  
Successors and Assigns) of the one part and [redacted] ([redacted])

a company incorporated in Hong Kong under the Companies Ordinance whose registered  
office is situate at No. [redacted] Kowloon Hong Kong

*ph* (hereinafter referred to as "the said Lessee" which expression shall where the context admits be deemed  
to include

of the other part Whereas the Governor and Commander-in-Chief of the Colony of Hong Kong and  
its Dependencies (who and whose successors in Office and the Acting Governor for the time being are  
hereinafter referred to as "the Governor") is duly authorized to enter into these presents in the name and  
on behalf of Her said Majesty Now This Indenture Witnesseth that

*ph* in consideration of the yearly rent covenants and stipulations hereinafter reserved and contained by and on  
the part and behalf of the said Lessee to be paid done and performed Her said Majesty Doth hereby  
grant and demise unto the said Lessee All that piece or parcel of ground situate lying and being at

Kowloon Hong Kong bounded on or towards the North by the Remaining Portion of New  
Kowloon Inland Lot No. [redacted] and having a frontage thereto of One hundred and fifteen  
metres and eighty two centimetres or thereabouts on or towards the East by Crown Land  
and having a frontage thereto of Forty eight metres and seventy seven centimetres or

thereabouts on or towards the South partly by [REDACTED] and partly by New Kowloon Inland Lot No. [REDACTED] and having a combined frontage thereto of One hundred and fifteen metres and eighty two centimetres or thereabouts and on or towards the West by [REDACTED] and having a frontage thereto of Forty eight metres and seventy seven centimetres or thereabouts which said piece or parcel of ground hereby expressed to be demised contains in the whole Five thousand six hundred and forty nine square metres or thereabouts and is more particularly delineated and described on the plan annexed hereto and thereon coloured pink and is known as NEW KOWLOON INLAND LOT NO. [REDACTED] TOGETHER with \_\_\_\_\_

And all the easements and appurtenances whatsoever to the said piece or parcel of ground belonging or in any-wise appertaining Except and Reserved unto Her said Majesty all Mines Minerals Mineral Oils and Quarries of Stone in under and upon the said piece or parcel of ground and all such Earth Soil Marl Clay Chalk Brick-earth Gravel Sand Stone and Stones and other Earths or Materials which now are or hereafter during the continuance of this demise shall be under or upon the said piece or parcel of ground or any part or parts thereof as Her said Majesty may require for the Roads Public Buildings or other Public Purposes of the said Colony of Hong Kong with full liberty of Ingress Egress and Regress to and for Her said Majesty Her Agents Servants and Workmen at reasonable times in the day during the continuance of this demise with or without horses carts carriages and all other necessary things into upon from and out of all or any part or parts of the said piece or parcel of ground to view dig for convert and carry away the said excepted Minerals Stone Earths and other things respectively or any

*\*Note by Clerk, PAC: The location plan not attached.*

X.L.L. [redacted]

part or parts thereof respectively thereby doing as little damage as possible to the said piece or parcel of ground And also Save and Except full power to Her said Majesty to make and conduct in through and under the said piece or parcel of ground all and any public or common sewers drains or watercourses To have and to hold the said piece or parcel of ground together with the easements and appurtenances and subject to the exceptions and reservations aforesaid (all hereinafter referred to as "the demised premises") unto the said Lessee from the First day of July One thousand nine hundred and seventy three for and during and unto the full end and term of TWENTY FOUR YEARS LESS THE LAST THREE DAYS THEREOF from the next ensuing and fully to be complete and ended YIELDING AND PAYING therefor yearly and every year during the term hereby granted the same yearly Rent as would be payable from time to time under section 9 of the Crown Leases Ordinance as if the said piece or parcel of ground were a lot the Crown lease of which was renewed by virtue of that Ordinance from the FIRST day of JULY ONE THOUSAND EIGHT HUNDRED AND NINETY EIGHT for and during and unto the full end and term of NINETY NINE YEARS LESS THE LAST THREE DAYS THEREOF from then next ensuing and fully to be complete and ended Yielding and Paying therefor yearly and every year during the term hereby granted the sum of

~~dollars in Current Money of the said Colony~~ (hereinafter referred to as "the said yearly Rent") by equal half-yearly payments on the Twenty-fourth day of June and the Twenty-fifth day of December in every year free and clear of and from all Taxes Rates Charges Assessments and Deductions whatsoever charged upon or in respect of the demised premises or any part thereof the first half-yearly payment of the said yearly Rent becoming due and to be made on the 24<sup>th</sup> day of June One thousand nine hundred and eighty two And the said Lessee

Doth hereby covenant with Her said Majesty by these presents in manner following that is to say that the said Lessee will yearly and every year during the said term hereby granted well and truly pay or cause to be paid to Her said Majesty the said yearly Rent clear of all deductions as aforesaid on the several days and times and in the manner hereinbefore reserved and made payable

And will during the whole of the said term hereby granted bear pay and discharge all taxes rates charges and assessments whatsoever which now are or shall be hereafter assessed or charged upon or in respect of the demised premises or any part thereof And will from time to time and at all times hereafter when where and as often as need or occasion shall require at the said Lessee's own proper costs and charges well and sufficiently Repair Uphold Support Maintain Pave Purge Scour Cleanse Empty Amend and keep the messuage or tenement messuages or tenements and all other erections and buildings now or at any time hereafter standing upon the said piece or parcel of ground and all the [redacted] and [redacted] thereunto belonging and

which shall in any-wise belong or appertain unto the same in by and with all and all manner of needful and necessary reparations cleansings and amendments whatsoever the whole to be done to the satisfaction of Her said Majesty's Director of Public Works (hereinafter referred to as "the said Director") AND in the event of the demolition at any time during the continuance of this demise of the said message or tenement messages or tenements or any other erections and buildings now or at any time hereafter standing upon the said piece or parcel of ground or any of them or any part thereof the said Lessee will replace the same either by sound and substantial buildings of the same type and of no less volume or by buildings of such type and value as shall be approved by the said Director AND in the event of demolition as aforesaid the said Lessee will within one month of such demolition apply to the said Director for consent to carry out building works for the redevelopment of the said piece or parcel of ground and upon receiving such consent will within three months thereof commence the necessary work of redevelopment and will complete the same to the satisfaction of and within such time limit as shall be laid down by the said Director

And the said message or tenement messages or tenements erections buildings and premises so being well and sufficiently repaired sustained and amended at the end or sooner determination of the term hereby granted will peaceably and quietly deliver up to Her said Majesty And will during the term hereby granted as often as need shall require bear pay and allow a reasonable share and proportion for and towards the costs and charges of making building repairing and amending all or any roads lanes pavements channels fences and party walls draughts private or public sewers and drains requisite for or in or belonging to the demised premises or any part thereof in common with other premises near or adjoining thereto and that such proportion shall be fixed and ascertained by the said Director shall be recoverable in the nature of rent in arrear And that it shall and may be lawful to and for Her said Majesty by the said Director or other persons deputed to act for Her twice or oftener in every year during the said term at all reasonable times in the day to enter into and upon the demised premises to view search and see the condition of the same and of all decays defects and wants of reparation and amendment which upon every such view shall be found to give or leave notice in writing at or upon the demised premises or some part thereof unto or for the said Lessee to repair and amend the same within Three Calendar Months then next following within which time the said Lessee will repair and amend the same accordingly AND that the said Lessee will not erect and maintain or permit to be erected and maintained upon the said piece or parcel of ground or any part thereof any building or buildings other than a non-profit-making hospital (which hospital is hereinafter referred to as "the said hospital") together with such staff quarters as may be approved by Her said Majesty's Director of Medical and Health Services and will not erect or maintain or permit to be erected or maintained upon the said piece or parcel of ground any building other than a building required for the purposes of the said hospital to which the said Director shall have given his written approval AND subject to the terms and covenants herein contained will not use or permit or suffer the use of the said piece or parcel of ground or any part thereof or any building erected thereon or any part of such building for any purpose other than for the purposes

of the said hospital AND will not do or permit or suffer anything to be done at any time in or upon the said piece or parcel of ground or any part thereof or any building or any part of any building erected or to be erected thereon which may be or become a nuisance or annoyance or which may cause damage or inconvenience to the Government of Hong Kong or to the lessors owners or occupiers of any adjoining or neighbouring premises AND will conduct the said hospital in accordance with all Ordinances and Regulations if any relating to such hospital that shall or may at any time be in force in Hong Kong and in all respects to the satisfaction of the said Director of Medical and Health Services AND subject to the terms and covenants herein contained will upon re-development of the said piece or parcel of ground or any part thereof comply in all respects the provisions of the Buildings Ordinance any regulations made thereunder and any amending legislation AND will obtain the approval in writing of the said Director to the design disposition and height of any building erected or to be erected on the said piece or parcel of ground AND except with the prior written approval of the said Director will not erect or allow to be erected on the said piece or parcel of ground any building or structure any part of which shall exceed a height of 51 metres and 82 centimetres above the Hong Kong Principal Datum AND will not erect or allow to be erected any building or structure within 6 metres and 10 centimetres of that boundary of the said piece or parcel of ground abutting on Waterloo Road AND will provide within the said piece or parcel of ground adequate space to the satisfaction of the said Director for the parking of motor vehicles and will not use the space so provided for any other purpose AND will not assign mortgage charge demise underlet or part with the possession of or otherwise dispose of or encumber the said piece or parcel of ground or any part thereof or any interest therein or any building or buildings erected thereon or any part of such building or buildings or enter into any agreement so to do AND where any cutting away removal or setting back of adjacent or nearby hillside or banks or any building up or filling in is or has been required for the purpose of or in connection with the formation levelling and development of the said piece or parcel of ground or any part thereof the said Lessee will construct or bear the cost of the construction of such retaining walls or other support as shall or may at any time become necessary to

protect and support such hillside and banks and the said piece or parcel of ground and to obviate and prevent any falling away landslips or subsidence occurring thereafter and will at all times maintain the said retaining walls or other support in good and substantial repair and condition and in the event that as a result or arising out of any such formation levelling or development any landslip subsidence or falling away occurring at any time whether in or from adjacent hillside or banks whether the same be Crown or leased land or in or from the said piece or parcel of ground the said Lessee will at its own expense reinstate and make good the same and will indemnify the Government of Hong Kong from and against all costs charges damages demands and claims whatsoever which shall or may be made suffered or incurred through or by reason of such landslip subsidence or falling away and will if required by the said Director so to do by notice in writing carry out such construction and or maintenance or reinstate and make good any falling away landslip or subsidence and if the said Lessee shall neglect or fail to comply with such notice within the period specified therein the said Director may forthwith execute and carry out the same and the said Lessee will on demand repay to the Government of Hong Kong the cost thereof AND in the event of spoil or debris from the said piece or parcel of ground or from other areas affected by any development of the said piece or parcel of ground being eroded and washed down on to public lanes or roads or into road-culverts sewers storm-water drains or nullahs or other properties belonging to the Government of Hong Kong the said Lessee will be held responsible and will pay to the Government of Hong Kong on demand the cost of removal of the spoil and debris from or for damage to the public lanes or roads or road-culverts sewers storm-water drains or nullahs or other properties belonging to the Government of Hong Kong and will also indemnify the Government of Hong Kong against all actions claims and demands arising out of any damage or nuisance to private property caused by such erosion and washing down AND will at its own expense construct and maintain to the satisfaction of the said Director such drains or channels as the said Director may consider necessary to intercept and carry off into the nearest stream course catchpit channel or storm-water drain storm or rain water falling on or flowing from the hillside on to the devised premises and or the approach road and will be solely liable for

and will indemnify the Government of Hong Kong and its officers from and against all actions claims and demands arising out of any damage or nuisance caused by such storm or rain water and will at all times during the continuance of this demise maintain and repair such drains or channels whether within the boundaries of the said piece or parcel of ground or on Crown Land AND in the event of any damage or obstruction being caused to any nullah sewer storm-water drain watermain or other properties belonging to the Government of Hong Kong within or adjoining the said piece or parcel of ground by the said Lessee its servants or agents the said Lessee will pay on demand the cost of making good or removing such damage or obstruction (it being agreed and declared that the necessary works shall be carried out by the Government of Hong Kong at the cost of the said Lessee) AND will take or cause to be taken all proper and adequate care skill and precautions at all times and particularly during any construction maintenance renewal or repair work to avoid doing any damage to any Government or other existing drain waterway or watercourse (including watermain) footpath sewer nullah pipe cable wire utility service or any other works or installations (all together hereinafter referred to as "the said works and services") being or running upon over under or adjacent to the said piece or parcel of ground or any part thereof provided that the said Lessee before carrying out any such work as aforesaid will make or cause to be made such proper search and enquiry as may be necessary to ascertain the present position and levels of any of the said works and services and will submit its proposals for dealing with any of such said works and services in writing to the said Director for his approval in all respects and will not carry out any work whatsoever until the said Director shall have given his written approval to the works and to such proposals aforesaid and will comply with any requirement of the said Director in respect of the said works and services and will bear the cost of meeting such requirements including the cost of any necessary diversion relaying or reinstatement and will at its own expense in all respects repair make good and reinstate to the satisfaction of the said Director any damage or disturbance caused to the surface of the said piece or parcel of ground or any of the said works and services running on over under or adjacent to the said piece or parcel of ground in any manner arising out of any such construction maintenance renewal or repair work (it being agreed and declared that if the said Lessee fail;



to carry out any such necessary diversion relaying repairing making good and reinstatement of the said piece or parcel of ground or any part thereof or of any of the said works and services to the satisfaction of the said Director he the said Director may carry out any such diversion relaying reinstatement or making good as he considers necessary and the said Lessee will pay to the Government of Hong Kong on demand the cost of such works) AND will pay to the Government of Hong Kong on demand the cost of connecting any drains and sewers from the said piece or parcel of ground to the Government storm-water drains and sewers (it being agreed and declared that such works shall be carried out by the said Director who shall incur no liability to the said Lessee in respect thereof) AND will not interfere with or remove any trees growing on the said piece or parcel of ground or adjacent thereto without the prior written consent of the said Director who may in granting consent impose such conditions as to replanting or landscaping as he may deem appropriate AND upon any redevelopment of the said piece or parcel of ground the said Lessee will not erect or permit to be erected thereon any building or buildings which does not or do not accord with the alignment of the said piece or parcel of ground as set out by the said Director and in the event of any building or buildings being erected otherwise than in due accord with such alignment the said Lessee will demolish such building or buildings when called upon by the said Director so to do and will rebuild upon the correct alignment and if the said Lessee shall fail so to demolish the building or buildings as aforesaid then it shall be lawful for the said Director to cause such building or buildings to be demolished and the said Lessee will on demand pay to the said Director such a sum as the said Director shall certify to be the cost of such demolition (it being agreed and declared that a certificate purporting to have been signed by or on behalf of the said Director as to the alignment of any building or buildings or as to the cost of the demolition shall be final and conclusive evidence as between the parties hereto as to the facts certified therein) PROVIDED ALWAYS AND IT IS HEREBY AGREED AND DECLARED that in the event that it is at any time shown to the satisfaction of the Governor that there has been a breach of the covenant by the said Lessee hereinbefore contained that the said Lessee will conduct

As'



the said hospital in accordance with all Ordinances and regulations if any relating to such hospital that shall or may at any time be in force in Hong Kong and in all respects to the satisfaction of the said Director of Medical and Health Services then it shall be lawful for Her said Majesty by the Governor or any person duly authorized in that behalf without notice to re-enter upon and take back possession of the said piece or parcel of ground or any part thereof and all building or buildings thereon and thereupon the rights of the said Lessee in and to the same under this Indenture shall absolutely cease and determine and upon the exercise of this power no compensation whatever shall be payable to the said Lessee by the Government of Hong Kong in respect of the land re-entered but there shall be payable to the said Lessee by the Government of Hong Kong in respect of any lawfully erected buildings such sum as the said Director shall on a fair and impartial valuation determined to be the value thereof (including site formation) less the amount of any building grant or grants made by the Government of Hong Kong towards the cost of such buildings PROVIDED ALSO AND IT IS HEREBY FURTHER AGREED AND DECLARED that in case it is at any time during the term hereby granted shown to the satisfaction of the Governor that the said piece or parcel of ground or any part thereof or any building or buildings thereon or any part of such building or buildings has ceased to be used for the purposes of the said hospital as hereinbefore mentioned (as to which the non-user thereof for such purposes for a period of three months shall be conclusive) or that the extent of the user thereof for such purposes has so diminished that the retention of the demised premises or any part thereof for such purposes is no longer justified it shall be lawful for Her said Majesty by the Governor or other person duly authorized in that behalf to re-enter upon and take back possession of the said piece or parcel of ground or any part thereof and all building or buildings thereon without notice in like manner as if a breach of any of the covenants and conditions herein contained had been committed by the said Lessee and the rights of the said Lessee in and to the same under this Indenture shall absolutely cease and determine PROVIDED ALSO AND IT IS HEREBY FURTHER AGREED AND DECLARED that the Government of Hong Kong shall have full power to resume enter into and retake possession of all or any part of the demised premises if required for the improvement of Hong Kong or for

Cessation of  
"user"  
Covenant

"Resumption"  
Covenant

any other public purposes whatsoever twelve calendar months' notice being given to the said Lessee of its being so required and upon the exercise of this power the term and estate hereby created in this Indenture shall cease determine and be void and the said Lessee shall on the expiration of the said notice quit and deliver up possession of the land so resumed and the building or buildings thereon and will not be entitled to any compensation whatsoever in respect of the land so resumed but there shall be paid to the said Lessee such sum if any in respect of any lawfully erected building or buildings or part of any such building or buildings demolished damaged or disturbed in consequence of the exercise of such power as the said Director shall on a fair and impartial valuation determine to be the value thereof (including site formation) or the cost of re-erecting or reconstituting the same whichever shall to him seem just provided that where any building grant or grants have been made by the Government of Hong Kong towards the cost of any building or buildings on the said piece or parcel of ground the said grant or grants or the due proportion thereof may at the Governor's discretion be deducted from any sum payable to the said Lessee as aforesaid and the decision of the Governor that any particular purpose is a public purpose shall be conclusive AND the said Lessee DOETH HEREBY FURTHER COVENANT with Her said Majesty

As

[Redacted]

As

And that the said Lessee or any other person or persons will not during the continuance of this demise use exercise or follow in or upon the demised premises or any part thereof the trade or business of a [Redacted] or [Redacted] or any other noisy noisome or offensive

1. L. [Redacted]  
[Handwritten mark]

trade or business whatever without the previous licence of Her said Majesty signified in writing by the Governor or other person duly authorized in that behalf ~~And will not assign mortgage charge underlet or otherwise alienate all or any part of the demised premises for all or any part of the term hereby granted without at the same time registering such alienation in the Land Office or in such other Office as may hereafter be instituted~~ <sup>also</sup> for the purposes of Registration in the said Colony and paying the ~~prescribed fees therefor~~ <sup>also</sup> ~~Provided~~ <sup>also</sup> ~~always~~ <sup>also</sup> and it is hereby <sup>also</sup> ~~agreed~~ <sup>also</sup> and declared that in case the said yearly Rent or any part thereof \_\_\_\_\_

shall be in arrear and unpaid for the space of twenty one days next after any of the said days whereon the same ought to be paid as aforesaid (whether lawfully demanded or not) or in case of the breach or non-performance of any of the covenants and conditions herein contained and by or on the part of the said Lessee to be performed then and in either of the said cases it shall be lawful for Her said Majesty by the Governor or other person duly authorized in that behalf into and upon the demised premises or any part thereof in the name of the whole to re-enter and the same to have again repossess and enjoy as in Her former estate as if these presents had not been made and the said Lessee and all other occupiers of the demised premises thereout to expel this Indenture or anything contained herein to the contrary notwithstanding ~~Provided also and it is hereby further agreed and declared that Her~~ said Majesty shall have full power to resume enter into and re-take possession of all or any part of the demised premises if required for the improvement of the said Colony or for any other public purpose whatsoever Three Calendar Months' notice being given to the said Lessee of its being so required and a full and fair compensation for the said Land and the Buildings thereon being paid to the said Lessee at a Valuation to be fairly and impartially made by the said Director and upon the exercise ~~of such power the term and estate hereby created shall respectively cease determine and be void~~ And This Indenture Further Witnesseth that the Governor doth hereby exempt the said piece or parcel of ground from the provisions of Part II of the New Territories Ordinance. \_\_\_\_\_

In Witness whereof the said Lessee hath caused its Common Seal to be hereunto affixed the day and year first above written.

[Large redacted area containing several blacked-out lines of text]

Examined and certified to be correct  
[Handwritten signature]

Dated ..... 8<sup>th</sup> March ..... 1982 .

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(COUNTERPART)

## Lease

OF

New Kowloon Inland Lot No. [REDACTED]

(No. [REDACTED])

---

✓ 24 years ✓  
Terms: ~~29~~ years less the last three days thereof.

Commencing 1st day of July, <sup>✓ 1973 ✓</sup>~~1890~~.

✓ Annual Crown Rent \$ ✓

---

Registered C/L Card

  
S. H. Wan  
p. Land Officer.

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PRINTED BY THE GOVERNMENT PRINTER, HONG KONG.

SE:/TYL/pl

PARTICULARS AND CONDITIONS

OF

EXTENSION OF LEASE TERM

OF ( )

PARTICULARS AND CONDITIONS FOR THE GRANT by the Government of Hong Kong (hereinafter called "the Government"), acting in accordance with the provisions of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Question of Hong Kong, of the land (hereinafter referred to as "the lot") described in the within-written lease/Conditions of /New Grant No. dated (hereinafter called "the lease"), subject to the same exceptions, reservations and provisos as are contained in the lease and affect the lot at the date hereof, to the lessee named and described in the Memorandum of Agreement to which these Particulars and Conditions are attached and of which they form part (hereinafter called "the lessee") for a term of years commencing on the day immediately following the expiry of the term of years granted by the lease and expiring on (not later than 30th June 2047) and subject to the payment of the yearly rent and the performance and observance of the terms and conditions hereinafter reserved and contained.

CONDITIONS

1. Except as amended, varied and modified by these Conditions the term of years hereby agreed to be granted shall be upon the same terms, covenants and conditions and subject to the same exceptions, reservations and provisos as are contained in the lease and affect the lot at the date hereof with such variations only as the grant of the said term shall require.

Rent during  
existing  
lease term

2. (a) From the date of this Agreement until the (date of expiry) rent shall be paid in accordance with the provisions of the lease.

Rent during  
extended  
lease term

(b) From the date immediately following the expiration of the lease until the the yearly rent for the lot shall be calculated and paid with reference to the period commencing on the 1st day of April and ending on the 31st day of March in each year, and the lessee shall pay and there shall be collected by the Director of Buildings and Lands (hereinafter called "the Director") as rent for the lot for each such period an amount equal to 3% of the rateable value from time to time of the lot, the said rent to be paid by four equal quarterly instalments in advance on the 1st day of April, the 1st day of July, the 1st day of October and the 1st day of January in each year, the first quarterly payment together with all accrued arrears of rent becoming due and to be paid on the first quarterly day after the date on which the lease of the lot would have expired were it not extended by this Agreement.

Rateable  
value

(c) For the purposes of this Condition the value of the lot shall be the rateable value as set out from time to time in the list declared or the interim valuation made by the Commissioner of Rating and Valuation (hereinafter called "the Commissioner") under the Rating Ordinance or any legislation amending or replacing the same, of the tenement, or, if there is more than one tenement, the aggregate of the rateable values and/or interim valuations as so set out or made of all the tenements comprised wholly or partly within the lot.



(d) For the purposes of sub-clause (c) hereof -

Effective  
date

(i) a rateable value in a new list, when declared, an interim valuation, when made, and a correction, alteration or variation of a rateable value or an interim valuation, when made, shall take effect from the effective dates for the same under the Rating Ordinance;

Adjustment of  
effective  
date

(ii) if the effective date of an interim valuation is earlier than the date of the making of the interim valuation, or if the rateable value has been corrected, altered or varied and the effective date of such correction, alteration or variation is earlier than the date of the making of the correction, alteration or variation, and as a result the rent for the lot is increased, the rent due for the period since the effective date of the interim valuation or the correction, alteration or variation shall, in so far as it has not been already paid, be added by the Director to the next payment of rent due following the date of the making of the interim valuation, correction, alteration or variation, and if as a result of the making of the interim valuation, correction, alteration or variation the rent for the lot is reduced, any amount found to be overpaid by the lessee may be deducted by the Director from the next payment of rent due following the date of the making of the interim valuation, correction, alteration or variation, or shall be otherwise credited to the account of or refunded to the lessee;

Tenement  
partly  
on lot

(iii) a tenement shall be deemed to be comprised partly within the lot if the building in which it is contained stands partly within the lot; and where a tenement is so deemed to be comprised partly within the lot, there shall be included for the purpose of determining the rateable value of the lot only the same proportion of the rateable value in the list declared or the interim valuation made under the Rating Ordinance or, as the case may be, the rateable value fixed under sub-clauses (d)(iv), (d)(v) and (d)(vi) hereof, as, in the opinion of the Director whose decision thereon shall be final, the area of the lot bears to the area of all the lots on which the building stands;

Notional  
rateable  
value

(iv) in the event that no rateable value has been ascertained under the Rating Ordinance in respect of a tenement, whether by reason of the exemption of such tenement from assessment to rates or otherwise, the Director may cause to be fixed such rateable value as if the tenement were assessable to rates under that Ordinance, and the rateable value so fixed shall be the rateable value of the tenement;

Deletion of  
rateable  
value

(v) in the event that as a result of the demolition of a tenement or of a tenement being unoccupied by reason of an order of the Government its rateable value is deleted under the Rating Ordinance, the rateable value of the lot shall, if the Director in his absolute discretion thinks fit and until an interim valuation of a tenement or tenements wholly replacing the demolished or unoccupied tenement is made under the Rating Ordinance, include the rateable value of such tenement as last ascertained by the Commissioner;

- Tenement partly replaced (vi) where an interim valuation is made of a tenement or tenements which replace part of a former tenement in respect of which the rateable value as last ascertained by the Commissioner was included in the rateable value of the lot in accordance with sub-clause (d)(v) hereof the rateable value of the part of the former tenement not replaced by the interim valuation shall be such portion of the rateable value of the former tenement, as last ascertained by the Commissioner, as the Director shall in his absolute discretion consider appropriate to that part.
- Rounding up (e) There shall be added to the yearly rent of the lot fixed in accordance with sub-clause (b) hereof such sum as may be necessary to make the total number of dollars a multiple of four.
- Collection of amount in lieu of rent 3. (a) In lieu of the collection of the yearly rent by the Director under Condition 2(b) hereof, there may, in addition to the rates to be collected quarterly by the Collector of Rates under the Rating Ordinance in respect of any tenement comprised wholly or partly within the lot, be demanded and collected by the Collector of Rates from the lessee an amount equal to one fourth of 3% of the rateable value of any such tenement together with such sum as may be necessary to make the total number of dollars in any such demand an integer. For the purpose of this sub-clause the provisions of Condition 2(d)(i) and (ii) hereof shall apply mutatis mutandis.
- Tenement partly on lot (b) For the purpose of sub-clause (a) hereof, in the event that only part of a tenement is comprised within the lot the amount that may be demanded in respect of that part shall bear the same proportion to 3% of the rateable value of the tenement as, in the opinion of the Director whose decision shall be final, the area of such part bears to the area of the whole of such tenement.
- Payment on demand (c) Upon a demand being made by the Collector of Rates under sub-clause (a) hereof the lessee shall pay the amount so demanded within the time specified in such demand.

Discharge

- (d) Payment under sub-clause (c) hereof of an additional demand under sub-clause (a) hereof shall operate as an absolute discharge for the lessee from his liability to pay the rent in respect of the quarter for which such demand was made.

Correction  
rateable  
etc. of  
rateable  
value

4. The reference in Condition 2(c) hereof to the rateable value of a tenement as set out from time to time in the list declared or to an interim valuation made under the Rating Ordinance shall include in a case where such rateable value or interim valuation is corrected, altered or varied under that Ordinance, a reference to such rateable value or interim valuation as so corrected, altered or varied.

Compensa-  
tion on  
resumption

5. Where the provisions of the lease -
- (a) empower the Government, subject to payment of compensation to the lessee, to resume all or any part of the lot; and
- (b) prescribe a method of calculating the compensation that includes reference to -
- (i) a fraction, whose numerator is the figure one, of any sum; and
- (ii) the portion of the term that is unexpired at the date of resumption,

the method of calculation shall be applied as if the denominator in the fraction were greater by 50 than that specified in the lease and as if the lease had originally been expressed to be granted for a term that included the term of years hereby agreed to be granted.

- (6) If the term created by the lease shall be determined either under any proviso for resumption or re-entry therein contained or by surrender, statutory resumption or acquisition, or otherwise howsoever, this Agreement shall become absolutely void.

MEMORANDUM OF AGREEMENT

BETWEEN .....  
.....  
.....

of the one part and the Governor of Hong Kong of the other part WHEREAS-

The lessee has requested the Government to grant a lease to him of the lot for the further term of years and on the terms referred to in these Particulars and Conditions and the Government has agreed to do so.

NOW IT IS HEREBY AGREED THAT -

The Government shall grant and the lessee shall accept a lease of the lot for the term of years and subject to the payment of the rent and the performance and observance of the terms and conditions referred to in these Particulars and Conditions.

Date this ..... day of ..... of 19

Witness ..... Seal /Signature of the lessee

Address .....  
.....

Occupation .....

Witness ..... For and on behalf of the Governor

Address .....  
.....

Occupation ..... Assistant Registrar General/  
Government Land Agent  
(Estate Management)

Certified Correct

P. Registrar General/  
Senior Estate Surveyor

Proposed Modification to NKIL [REDACTED]

tem o.	Existing Document	Proposed Form	Remarks
	Lease of NKIL [REDACTED]		
1	Cessation of User covenant	PROVIDED ALSO AND IT IS HEREBY FURTHER AGREED AND DECLARED THAT in case it is at time during the term hereby granted shown to the satisfaction ..... for a period of <u>six months</u> .....	To amend the period from 3 months to 6 months.
2.	Resumption Covenant	<p>PROVIDED ALSO AND IT IS HEREBY FURTHER AGREED AND DECLARED THAT The Government of Hong Kong shall have power to resume re-enter upon and retake possession of all or any part of the lot if required for the improvement of Hong Kong or for any other public purpose whatsoever (as to which the decision of the Governor shall be conclusive), twelve calendar months' notice being given to the Lessee of its being so required, and upon the exercise of this power the Lessee's tenancy of the land so resumed shall cease, determine and be void, and the Lessee shall on the expiration of the said notice quit and deliver up possession of the land so resumed and the buildings thereon. Upon the exercise of this power there shall be paid by the Government to the Lessee the following compensation only:</p> <p>a) in respect of the land resumed:- one eighty-ninth of such amount as in the opinion of the Director has been reasonably expended by the Lessee on site formation of the said land, multiplied by the number of complete years in the portion of the said term unexpired at the date of resumption;</p> <p>b) in respect of any building or buildings or parts of any building or buildings lawfully erected on the land resumed such sum as the Director shall, at his sole discretion, certify to be the depreciated current replacement cost or costs of the building or buildings or parts thereof as at the date of resumption; it being fully agreed and understood that separate sums shall be certified in respect of any separate addition or improvement to the building or buildings or parts thereof : Provided always</p>	<p>To introduce a fraction of 1/89 for calculating the compensation upon resumption.</p> <p>To amend the basis of compensation.</p>



Chief Estate Surveyor/  
Estate Management  
(Regrant Section)

From.....

Ref. (24) BLD/SPL/WEL/60

Tel. No. 848 6179

Date 28 JAN 1991

## MEMO

To..... Distribution

Answered by 13.

Your Ref. In AS 15 16 18 19

dated 15 16 18 19

Proposed Lease Extension of  
New Kowloon Inland Lot No. [REDACTED] 21  
[REDACTED], Kowloon

The above lot is held by [REDACTED] under a Conditions of Grant No. 11505 dated 15.4.1981 for the purposes of a non-profit-making health and welfare centre providing a day nursery, a geriatric day centre and a non-residential training school for enrolled nurses or for such other purposes as may be approved by the Director of Social Welfare and the Director of Medical and Health Services. The lease under which the above lot is held has been classified as a special purpose lease under the New Territories Leases (Extension) Ordinance 1988 and this office is currently considering the extension of the lease term up to 30.6.2047.

2. It is now intended that the extension will be dealt with by means of the simplified extension document at Annex B. That is, the lease will be extended on the existing conditions. Any necessary amendments will be incorporated in the Conditions of Lease Extension or in a Modification Letter if appropriate. However, please note that only certain basic and essential conditions will be amended/inserted where there appears to be serious defect in the existing lease. Mere updating of special conditions to accord with standard clause will not be incorporated. The suggested modifications are now listed at Annex C attached.

3. Enclosed please find a copy of the existing lease at Annex A together with a location plan for your reference. I would be grateful if you could let me have your reply within 4 weeks from the date of this memo.

4. In particular, I should be grateful if :-

- a) DSO/K would confirm that the occupied area agrees with the leased area;
- b) DPO/K would advise the zoning of the subject lot on OZP and ODP.
- c) DHS and DSW would confirm that Special Condition Nos. (3), (5)(a); (6) and (9) of the Conditions of Grant have been complied with.

Rec'd P.M. 30 JAN 1991 by [Signature]

(Miss Sophia CHIANG)  
for Chief Estate Surveyor/  
Estate Management  
(Regrant Section)

\*Note by Clerk, PAC: For Annex B, please refer to Annex B in Appendix 27.

Distribution

DLO/KW

DSO/K

CETE/K, TD

RG(LO/LA)SPL

DPO/K, PD

D of FS

CHE/K, HyD

GE/MSD, DSD

WSD

GCO/CESD

DO(Kln. City)

D of SW

CBS/K

Director of Hospital Services



S.A. No. 620000  
(1900-1/13-2000)

G N ← ← L O L

CONDITIONS OF GRANT

N.K.L. No. 

OWNER



TERM

99 years less 3 days from 1-7-1898

CROWN RENT \$ 1.00 per annum

PREMIUM NIL

REFER TO VOL. Kapanang FOLIO Register Card.

Entered and Indexed (Aug 29.01)

L. O. No. 17/87476

ENV

~~B. t.~~ No. 88/7714.

L. S. O. No. 11/1761/86.

PARTICULARS AND CONDITIONS  
OF GRANT BY PRIVATE TREATY

Land Office  
Copy

LSO. 11/17:8/56

PARTICULARS AND CONDITIONS for the GRANT of the Lot described in the Particulars of the Lot hereof and shown coloured pink on the plan annexed hereto for the residue of a term of 99 years less three days commencing from the 1st day of July, 1898 at the rent specified in such Particulars.

PARTICULARS OF THE LOT

Registry No.	Location	Site	Area in square metres	Crown rent	Premium
New Kowloon Inland Lot No. [REDACTED]	[REDACTED] Road, Kowloon.	As delineated and shown coloured pink on the plan annexed hereto	985	\$1,000 per annum	Nil

N

GENERAL CONDITIONS

Setting out

1.(a) The Director of Public Works (hereinafter referred to as "the said Director") will at such time as he thinks fit or upon the application of the grantee, set out the lot on the ground and the grantee or his authorized representative after such setting out when called upon by the said Director will attend at the lot to inspect the survey marks delineating the lot on the ground and will be given a plan showing the positions and descriptions of each such mark. The grantee shall not commence any operations for building on the lot until it shall have been so set out by the said Director. The grantee shall take or cause to be taken all proper care and precautions to safeguard the said survey marks from disturbance or removal. If, before commencing any operations for building on the lot, any of the said survey marks are disturbed or removed, the grantee shall apply in writing to the said Director for replacement by survey and shall pay on demand to the Government in advance the prescribed fee therefor.

Encroachment  
upon Crown  
land

(b) In the event that the grantee is found to have encroached upon and to be occupying Crown land the said Director may in his absolute discretion either require the grantee to demolish any building or part of any building standing on such Crown land, to reinstate such Crown land to his satisfaction and deliver vacant possession of the same to the Government or pay to the Government such sum as the said Director in his absolute discretion shall determine as the premium in respect of such Crown land. A certificate under the hand of the said Director shall be conclusive as to the extent of any such encroachment and as to the amount of the premium payable in respect thereof. If the grantee fails to demolish any building as required by the said Director as above it shall be lawful for the said Director to demolish such building and the grantee shall pay on demand to the Government the amount certified by the said Director as the cost of such demolition. In the event that the said Director exercises his discretion to require the payment of premium as aforesaid upon the payment of such premium the area of Crown land encroached upon shall be deemed in all respects to be part of the lot and shall be included in the Crown lease when issued.

Maintenance

2. The grantee of the lot shall throughout the tenancy maintain all buildings erected or which may at any time hereafter be erected on the lot in good and substantial repair and condition, and in such repair and condition deliver up the same at the expiration or sooner determination of the tenancy. In the event of the demolition at any time during the tenancy of any building then standing on the lot or any part thereof the grantee shall replace the same either by sound and substantial buildings of the same type and of no less volume or by buildings of such type and value as shall be approved by the said Director. In the event of demolition as aforesaid the grantee shall within one month of such demolition apply to the said Director for consent to carry out building works for the redevelopment of the lot and upon receiving such consent shall within three months thereof commence the necessary work of redevelopment and shall complete the same to the satisfaction of and within such time limit as is laid down by the said Director.

Boundary stones

3. The grantee shall permit boundary stones properly cut and marked with the number of the lot to be fixed at each angle thereof and either in or on the land itself or in or on any building erected thereon as may be required by the said Director and shall pay the fees prescribed by him therefor as well as the prescribed fee for the refixing of such boundary stones which, through being lost, damaged and/or removed, need replacing.

Private streets

4. Any private streets, roads and lanes which are required to be formed shall be sited to the satisfaction of the said Director and included in or excluded from the area to be leased as may be determined by him and in either case shall be handed over to the Government free of cost if so required. Where taken over by Government the surfacing, kerbing, drainage (both foul and storm-water sewers) and channelling shall be carried out by the Government at the cost of the grantee and thereafter maintained at public expense but where remaining part of the area leased or to be leased, such streets, roads or lanes shall be surfaced, kerbed, drained, channelled and maintained by and at the expense of the grantee to the satisfaction in all respects of the said Director.

Breach of lease conditions

5. The fulfilment by the grantee of his obligations under these Conditions shall be a condition precedent to the grant or continuance of the tenancy and in the event of any default by the grantee in complying therewith such default shall be deemed to be a continuing breach and the subsequent acceptance by or on behalf of the Crown of any Crown rent or rates or other payment whatsoever shall not (except where the Crown has notice of such breach and has expressly acquiesced therein) be deemed to constitute any waiver or relinquishment or otherwise prejudice the enforcement of the Crown's right of re-entry for or on account of such default or any other rights remedies or claims of the Crown in respect thereof under these Conditions which shall continue in force and shall apply also in respect of default by the grantee in the fulfilment of his obligations under these Conditions within any extended or substituted period as if it had been the period originally provided.

Re-entry

6.(a) Should the grantee fail or neglect to observe or comply with any of the conditions of this Agreement the Crown shall be entitled to re-enter upon and take back possession of the lot or any part thereof and all or any buildings, erections and works thereon or on such part, and thereupon this Agreement and the rights of the grantee hereunder shall absolutely cease and determine (in respect of such part if the re-entry is upon a part only) but without prejudice to the rights, remedies and claims of the Crown in respect of any breach, non-observance or non-performance of the terms and conditions hereof.

No compensation on re-entry

(b) In the event of re-entry by the Crown for or in respect of or arising out of the breach, non-observance or non-performance by the grantee of the provisions of these Conditions, he shall not be entitled to any payment or compensation whatsoever whether in respect of the value of the land, or for any buildings thereon, or for any amount expended by him in the preparation, formation or development of the lot or otherwise.

Crown lease

7.(a) When these Conditions have been complied with to the satisfaction of the said Director and the Registrar General (Land Officer), the grantee shall subject to approval of his title by the Registrar General (Land Officer) be entitled to a Crown lease of the lot for the term stated in the preamble to these Conditions.

(b) The grantee shall execute and take up a Crown lease of the lot when called upon to do so by the Registrar General (Land Officer) and shall pay the prescribed fees therefor and an endorsement by the Registrar General (Land Officer) on these Conditions or on the Land Office Registers that plans of the lot or any specified part thereof are in the Land Office and that the Crown lease thereof must be taken up before any further dealings with the lot or a specified part thereof can be registered shall have effect accordingly. In the event of more than one building being erected on the lot the grantee may be required to take up a separate lease for the site of each separate building and shall pay to the Registrar General (Land Officer) the prescribed fees for every additional lease so required to be taken up.

(c) Pending the issue of the Crown lease the tenancy of the lot shall be deemed to be upon and subject to and such Crown lease when issued shall be subject to and contain, all exceptions, reservations, covenants, clauses and conditions as are now inserted in the Crown leases of similar lots in Hong Kong as varied, modified or extended by these Conditions.

Definitions

8.(a) The expression "grantee" shall in these Conditions include the person or persons entering into and executing this Agreement and where the context so admits or requires his/her/their executors, administrators and assigns and in the case of a corporation its successors and assigns and the expression "lot", except where the context otherwise refers, means the lot stated in the Particulars of the Lot hereof. Where the context so admits or requires, words importing the masculine gender shall be deemed to include females and corporations, and words in the singular shall be deemed to include the plural.

(b) The foregoing General Conditions shall be read and construed as varied or modified by the Special Conditions hereinafter contained and the expression "these Conditions" whenever used shall mean and include the General and Special Conditions.

Exemption

9. The lot shall be exempted from the provisions of Part II of the New Territories Ordinance

SPECIAL CONDITIONS

- Possession (1) Possession of the lot shall be deemed to have been given and taken on the date of this Agreement.
- Crown rent (2) Crown rent for the lot as specified in the Particulars of the Lot hereof shall commence from the date of this Agreement, and shall be payable by equal half yearly payments on the 24th day of June and the 25th day of December each year, the first half yearly rent or a due proportion thereof being payable on the next half yearly date following the date of this Agreement.
- Type of Building (3) The grantee shall in accordance with these Conditions erect and maintain upon the lot a non-profit-making health and welfare centre providing a day nursery catering for between 140 and 196 children, a geriatric day centre with facilities for vocational, therapy and occupational therapy for about 80 patients and a non-residential training school for enrolled nurses (which health and welfare centre is hereinafter referred to as "the said centre") together with such domestic quarters as the Director of Social Welfare and the Director of Medical and Health Services consider to be essential for the housing of staff and workmen employed on the premises, and shall not at any time erect or maintain upon the lot any building other than a building or buildings for the purposes of the said centre to which the said Director shall have given his prior written approval.
- Building covenant (4) The grantee shall develop the lot in two stages by the erection thereon of a building or buildings complying with these Conditions and in all respects in accordance with the provisions of all Ordinances, Byelaws and Regulations relating to building and sanitation which are or may at any time be in force in Hong Kong and in the manner following, that is to say -
- (a) by the erection thereon of a building or buildings to be completed and made fit for occupation before the expiration of 36 calendar months from the 12th day of February 1980 and expending thereon a sum of not less than \$2,500,000, and then
  - (b) by the erection thereon of a building or buildings to be completed and made fit for occupation before the expiration of 60 calendar months from the 12th day of February 1980 and expending thereon a further sum of not less than \$1,000,000.
- The aforesaid sums of \$2,500,000 and \$1,000,000 shall exclude moneys spent on site formation, foundation, access roads and other ancillary works.
- User (5)(a) Subject to these Conditions, the grantee shall not use or permit or suffer the use of the lot or any part thereof or any building or part of any building thereon for any purpose other than for the purposes of the said centre, or for such other purposes as may be approved by the Director of Social Welfare and the Director of Medical and Health Services. ✓

(b) The grantee shall not do or permit or suffer anything to be done in or upon the lot or any part thereof or any building or any part of any building erected or to be erected thereon which may be or become a nuisance or annoyance or which may cause damage or inconvenience to the Government or to the owners or occupiers of any adjoining or neighbouring lots or premises.

Commence  
to operate

(6) The grantee shall within 48 months of the 12th day of February 1980 open and commence to operate the said centre on a scale satisfactory to the Director of Social Welfare and the Director of Medical and Health Services, and shall conduct the said centre in accordance with all Ordinances and Regulations relating to the said centre which are or may at any time be in force in Hong Kong and in all respects to the satisfaction of the Director of Social Welfare and the Director of Medical and Health Services. If it is at any time shown to the satisfaction of the Governor that there has been a breach of this Condition, it shall be lawful for the Crown to re-enter upon and take back possession of the lot or any part thereof and all buildings thereon without notice and thereupon the rights of the grantee in and to the lot under this Agreement shall absolutely cease and determine.

Cessation  
of user

(7) If it is at any time shown to the satisfaction of the Governor that the lot or any part thereof or any building or part of any building thereon has ceased to be used for the purposes of the said centre or for such other purposes as may have been approved by the Director of Social Welfare and the Director of Medical and Health Services (as to which the non-user thereof for such purposes for a period of six months shall be conclusive) or that the extent of the user thereof for such purposes has so diminished that the retention of the lot or any part thereof for such purposes is no longer justified, it shall be lawful for the Crown to re-enter upon and take back possession of the lot or any part or parts thereof and all buildings thereon without notice and thereupon the rights of the grantee in and to the same under this Agreement shall absolutely cease and determine.

Alienation

(8) The grantee shall not assign, mortgage, charge, demise, underlet, part with the possession of or otherwise dispose of or encumber the lot or any part thereof or any building or part of any building thereon or enter into any agreement so to do.

Submission  
of accounts

(9) The grantee shall submit to the Director of Social Welfare and the Director of Medical and Health Services annually a complete statement of the accounts of the said centre audited by an Auditor approved by the Governor. Such statement shall be audited and submitted not later than six months from the close of the year to which it relates.

Building  
plans

(10) The grantee shall, before any building operations commence on the lot, submit or cause to be submitted to the Director of Medical and Health Services and the Director of Social Welfare for approval building plans for the said centre and thereafter shall, without prejudice to the generality of any other General and Special Conditions herein contained, construct the said centre in accordance with such building plans as approved by the Director of Medical and Health Services and the Director of Social Welfare.

- Distribution of profit (11) There shall be no distribution of profit derived from the said centre. All profits, if any, shall be directed to the improvement and extension of the said centre.
- Inspection by Director of Medical and Health Services (12) The Director of Medical and Health Services and his officers shall have the right of free access to the lot and any building thereon for the purpose of inspecting the said centre.
- Resumption (13) The Government shall have full power to resume, re-enter upon and re-take possession of all or any part of the lot if required for the improvement of Hong Kong or for any other public purpose whatsoever (as to which the decision of the Governor shall be conclusive), twelve calendar months' notice being given to the grantee of its being so required, and upon the exercise of this power the grantee's tenancy of the land so resumed shall cease, determine and be void, and the grantee shall on the expiration of the said notice quit and deliver up possession of the land so resumed and the buildings thereon. Upon the exercise of the power there shall be paid by the Government to the grantee the following compensation only :
- (a) in respect of the land resumed - one sixteenth of such amount as in the opinion of the said Director has been reasonably expended by the grantee on site formation of the said land, multiplied by the number of complete years in the portion of the said term unexpired at the date of resumption; and
  - (b) in respect of any building or part of any building lawfully erected on the land resumed - such sum as the said Director shall on a fair and impartial valuation having regard to the unexpired portion of the said term, certify to be the market value, as at the date of resumption, of the said building or part thereof; provided that where any building grant or grants has or have been made by the Government towards the cost of any such building on or site formation of the lot, the said grant or grants or a due proportion thereof may at the discretion of the Governor be deducted from any sum payable to the grantee as aforesaid.
- Set back (14) The grantee shall not cut away, remove or set back any Crown land adjoining the lot.
- Spoil or debris (15)(a) In the event of spoil or debris from the lot or from other areas affected by any development of the lot being eroded and washed down on to public lanes or roads or into road-culverts, sewers, storm-water drains or nullahs, or other Government properties, the grantee shall be held responsible and shall pay to the Government on demand the cost of removal of the spoil and debris from or of damage to the public lanes or roads or road-culverts, sewers, storm-water drains or nullahs, or other Government properties. The grantee shall indemnify the Government against all actions, claims and demands arising out of any damage or nuisance to private property caused by such erosion and washing down.



- Dumping  
(Crown  
land) (b) No earth, debris, spoil of whatsoever nature, or building materials shall be dumped on any adjoining Crown land.
- Compliance with the Buildings Ordinance (16)(a) Subject to these Conditions, upon development or redevelopment of the lot or any part thereof, any building or buildings erected or to be erected thereon shall in all respects comply with the Buildings Ordinance, any regulations made thereunder and any amending legislation.
- Design and disposition (b) The design and disposition of any building to be erected on the lot shall be subject to the approval in writing of the said Director.
- Height (c) No part of any structure to be erected on the lot shall exceed a height of 51.5 metres above the Hong Kong principal datum.
- Piling (17) The grantee shall not use or permit to be used any form of percussive piling system upon the lot.
- Parking space (18) Space shall be provided within the lot to the satisfaction of the said Director for the parking of motor vehicles as follows :-
- (a) 1 space per doctor, sister, health visitor and senior executive personnel,
  - (b) 1 space per every 5 other personnel,
  - (c) 1 space per 10 beds for visitors cars with the minimum of 5 spaces,
  - (d) 2 spaces for operational vehicles, and
  - (e) 1 lay-by measuring 3 metres x 9 metres,
- and the space so provided shall not be used for any other purpose.
- Damage to public roads (19) The grantee shall pay to the Government on demand any sum which the said Director shall certify to be the cost of making good any damage done to adjoining public roads by the grantee, his contractors or sub-contractors or his or their workmen or vehicles or by any spoil from the lot.
- Dumping (public road) (20) No materials shall be dumped or stored, nor shall any work be carried out within the boundaries of a public road or way without the prior written consent of the said Director.
- Constructing drains and channels (21) The grantee shall construct and maintain at his own expense and to the satisfaction of the said Director such drains and channels, whether within the boundaries of the lot or on Crown land, as the said Director may consider necessary to intercept and convey into the nearest stream-course, catchpit, channel, storm-water drain or sea all storm-water or rain-water falling or flowing on to the lot and the grantee shall be solely liable for and shall indemnify the Government and its officers from and against all actions, claims and demands arising out of any damage or nuisance caused by such storm-water or rain-water. A

- Damage to nullah etc. (22) Any damage or obstruction caused by the grantee, his servants or agents to any nullah, sewer, storm-water drain, watermain or other Government properties within or adjoining the lot shall be made good by the Government at the cost of the grantee, and the amount due in respect thereof shall be paid on demand to the Government by the grantee.
- Removal of refuse matter (23) The grantee shall not permit sewage or refuse water to flow from the lot onto any adjoining land or allow any decaying, noisome, noxious, excrementitious, or other refuse matter to be deposited on any portion of the lot and shall have all such matter removed from the lot or any building erected thereon in a proper manner.
- Connecting drains and sewers (24) The grantee shall pay to the Government on demand the cost of connecting any drains and sewers from the lot to the Government storm-water drains and sewers when laid. Such works shall be carried out by the said Director, who shall incur no liability to the grantee in respect thereof.
- Foundations (25) Any foundations to be constructed near or adjoining any sewer, storm-water drain or nullah within or adjoining the lot shall comply with the requirements of the said Director.
- Utility service etc. (26) The grantee shall take or cause to be taken all proper and adequate care, skill and precautions at all times and particularly during any construction, maintenance, renewal or repair work to avoid doing any damage to any Government or other existing drain, waterway or watercourse (including watermain), footpath, sewer, nullah, pipe, cable, wire, utility service or any other works or installations (all together hereinafter referred to as "the said works and services") being or running upon, over, under or adjacent to the lot or any part thereof, provided that the grantee before carrying out any such work as aforesaid shall make or cause to be made such proper search and enquiry as may be necessary to ascertain the present position and levels of any of the said works and services, and shall submit his proposals for dealing with any of the said works and services in writing to the said Director for his approval in all respects, and shall not carry out any work whatsoever until the said Director shall have given his written approval to the works and to such proposals aforesaid, and shall comply with any requirement of the said Director in respect of the said works and services, and shall bear the cost of meeting such requirements including the cost of any necessary diversion, relaying or reinstatement, and shall at his own expense in all respects repair, make good and reinstate to the satisfaction of the said Director any damage or disturbance caused to the surface of the lot or any of the said works and services running on, over, under or adjacent to the lot in any manner arising out of any such construction, maintenance, renewal or repair work. If the grantee fails to carry out any such necessary diversion, relaying, repairing, making good and reinstatement of the lot or any part thereof or of any of the said works and services to the satisfaction of the said Director, he, the said Director may carry out any such diversion, relaying, reinstatement or making good as he considers necessary and the grantee shall pay to the Government on demand the cost of such works.

**Vehicular access** (27) The grantee shall have no right of ingress or egress to or from the lot for the passage of motor vehicles except between the points X and Y through Z shown and marked on the plan annexed hereto.

**Temporary access** (28) Notwithstanding the provisions of Special Condition No.(27) hereof, upon development or re-development of the lot or any part thereof a temporary right of ingress or egress to or from the lot for the passage of construction vehicles may be granted in such position as may be approved and subject to such conditions as may be imposed by the said Director.

**Filtered water supply** (29)(a) A filtered water supply from Government mains will be given on the usual terms and subject to the provisions of the Waterworks Ordinance or any enactment amending or replacing the same, but no guarantee is given that any water that is supplied will be continuously available.

**Salt water supply** (b) A salt water supply from Government mains will be given for flushing purposes, and the grantee will be required to accept this supply and to install plumbing capable of withstanding the corrosive effect of salt water. If a salt water supply is not available when required, a temporary mains water supply will be provided for flushing purposes. The temporary fresh water if required, and the ultimate salt water supply, will be given on the usual terms and subject to the provisions of the Waterworks Ordinance, or any enactment amending or replacing it.

**Restriction on use of water supply** (30) Except with the prior written consent of the Water Authority, no fresh or salt water from Government mains shall be used for any heating, cooling or humidification purpose.

**Cost of repair and reinstatement** (31) The grantee shall pay to the Government on demand the cost of repair and reinstatement to any Waterworks installation that shall or may be necessary at any time during the term as a result of damage caused by any works or other activities carried out upon the lot by the grantee or others under his charge, and shall indemnify the Government against any claim, action or demand arising therefrom.

(32) Wherever in these Conditions it is provided :-

**Supervisory and overhead charges** (a) that the Government or the said Director shall or may carry out works of any description on the lot or any part thereof or outside the lot (whether on behalf of the grantee or on the failure of the grantee to carry out such works or otherwise) at the cost of the grantee or that the grantee shall pay or repay to the Government or to the said Director on demand the cost of such works, such cost shall include such supervisory and overhead charges as may be fixed by the said Director; or

**Approval or consent** (b) that the prior approval or consent in writing of the said Director, the Director of Social Welfare or the Director of Medical and Health Services is required, the said Director, the Director of Social Welfare or the Director of Medical and Health Services may refuse or give the approval or consent on such terms and conditions as he sees fit. /

MEMORANDUM OF AGREEMENT

MEMORANDUM that [redacted] whose registered office

is situate at [redacted], Kowloon

the person whose name is hereunder written has this day agreed to carry out the terms and conditions of the foregoing Conditions of Grant, and the grantee hereby agrees fully to observe and perform the said Conditions, and to be bound thereby, and His Excellency the Governor hereby ratifies and confirms the said grant on the above terms and conditions.

Dated this 15th day of April 1981

*[Handwritten signature]*

Witness .....

[redacted signature area]

Signature of grantee

Occupation ..... Solicitor.....

Address ... S/C ... New Henry House  
... Lee Home Street HK.

Witness :

For and on behalf of the Governor

*[Handwritten signature]*

(CHUN SING CHEE)  
Assistant Registrar  
Registrar General's Department

*[Handwritten signature]*

(Noel M. Gleeson)  
Assistant Registrar General

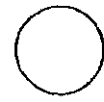
(N.K.I.L. 5207)  
Certified correct

*[Handwritten signature]*

(S.H. WAN)  
p. Land Officer.

Proposed Modification to NKIL [REDACTED]

Item	Existing Document	Proposed Form	Remarks
	Conditions of Grant No. [REDACTED]		
1.	Resumption (S.C. 13)	The Government shall have full power to resume,..... Upon the exercise of the power there shall be paid by the Government to the Grantee the following compensation only : -  (a) in respect of the land resumed - <u>one sixty-sixth</u> of such amount .....	To amend the fraction frc 1/16 to 1/66 to reflect the extension of lease term by using Clause No. 5 of the simplified extension document.



## MEMO

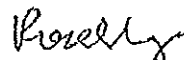
BY FAX

From..... Director of Hospital Services..... Ref. ....(23) In..... HSDG 25.1/56 IV..... Tel. No. .... 890 0611..... Date ..... 22 April 1991.....	To..... Chief Estate Surveyor/Estate Management (Attn : S W SIF)  (38) & Your Ref. ....(24) In..... BLD/SPL/WEL/60..... dated.....
--	---

Proposed Lease Extension of  
 New Kowloon Inland Lot No. [REDACTED]  
 [REDACTED], Kowloon

I confirm that Special Condition Nos. (3), (5)(a), (6) and (9) of the Conditions of Grant have been complied with.

2. As regards the breach of the parking space clause, I see no objection to the proposal as contained in para 3 of your memo (38) in BLD/SPL/WEL/60 dated 12.4.91.

  
 (Ms Rosaline WONG)  
 for Director of Hospital Services

RW/ak

**Monitoring of the compliance of the land grant condition  
of LG6 by Hospital D of providing low-charge beds**

A) Provision of low-charge beds by Hospital D

2008	After completion of a new hospital block on LG6 and various renovation projects of the old hospital wings, Hospital D started to provide 20 low-charge beds. The terms and conditions for admission to low-charge beds are at <b><u>Appendix A</u></b> .
October 2009	Hospital D extended the provision of low-charge beds to 100.
November 2009	Hospital D relaxed the criteria of eligibility for admission to use low-charge beds and promulgated to all doctors with admission rights ( <b><u>Appendix B</u></b> )

B) Monitoring of compliance with land grant conditions of providing not less than 20% of total number of beds as low-charge beds by DH

Since 2008	<p>DH has monitored the compliance with land grant condition of providing low-charge beds by the following measures -</p> <ul style="list-style-type: none"> <li>• Requiring Hospital D to report the provision of low-charge beds in the questionnaire for annual inspection (<b><u>Appendix C</u></b>)</li> <li>• Conducting inspection of Hospital D to verify the provision of low-charge beds(<b><u>Appendix D</u></b>)</li> <li>• Requesting Hospital D to submit hospital bills for inspection (<b><u>Appendix E</u></b>)</li> <li>• Requesting Hospital D to submit statistics on utilization (<b><u>Appendix F</u></b>)</li> </ul>
May 2009	DH made an agreement with the Hospital in 2009, according to which the hospital would provide 60 beds to convalescent patients referred from the Hospital Authority in the event of H1N1 epidemic. The charge was later agreed to be at \$3000 per bed per

	day, inclusive of accommodation, food, medicine, simple medical investigation charges and doctor's and nursing charges. The relevant correspondences are at <b><u>Appendix G</u></b> .
--	--



[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
Tel.: (852) [Redacted] Fax: (852) [Redacted]  
Email: [Redacted]@hk

→ SFH  
(atten Ms [Redacted])

\*\*\* FAX MESSAGE \*\*\*

To: [Redacted] From: [Redacted]  
Department of Health  
Fax: 2126 7515 Date: 23 May 2008

- Urgent
- For your records
- For your comments
- Please telephone
- For necessary action
- For your information
- For approval and return
- Please sign and return

Dear [Redacted]

Please find enclosed the new list of operation procedures which are offered for the 'low charge bed scheme' at [Redacted] (with doctor's fees included). Some of the procedures have been added to the previous list, whereas, some have been deleted.

Extra operative procedures will be added to the list from time to time in the future.

Please feel free to contact me to clarify any related issues.

Thank you for your attention.

[Handwritten signature]  
[Redacted]  
[Redacted]

Total no. of page(s): 6 (including the covering page)

RECEIVED  
DATE: 26/5/08

	OT Name	S2 Package Price (Dr's Fee Included)	Class C Price (Dr' Fee Included)	Discount
1	Laparoscopic Cholecystectomy	37,400	47,619	21%
2	Laparoscopic Appendicectomy	32,400	41,970	23%
3	Breast Biopsy	13,000	15,769	18%
4	Circumcision	10,800	13,423	20%
5	I&D Abscess	11,500	16,160	29%
6	Staple Hemorrhoidectomy	21,700	27,741	22%
7	Ex. Seb Cyst GA	10,900	13,806	21%
8	Ex. Seb Cyst LA	7,900	9,714	19%
9	Ex. Lipoma LA	7,700	9,443	18%
10	Ex. Lipoma GA	11,200	15,168	26%
11	D&C	8,400	10,731	22%
12	Marsupialization of Bartholin's Cyst	8,900	11,773	24%
13	Colposcopy (LA)	7,300	9,906	26%
14	Lap Ovarian Cyst	37,600	47,660	21%
15	Ex. of Ganglion LA	8,900	11,917	25%
16	Arthroscopy	29,000	35,816	19%
17	Release of Trigger Finger	9,600	11,748	18%
18	Insertion of Tenckhoff cath.(LA)	8,100	9,100	11%
19	Insertion of Tenckhoff cath. (GA)	10,300	11,700	12%

	Endoscopy Procedure	HA-PPI Scheme Price
1	Gastroscopy	4,000 without biopsy
2	Colonoscopy	5,200 without biopsy
3	Cystoscopy	5,000 without biopsy
4	Bronchoscopy	6,400 without biopsy
	Price for biopsy	770

## ████████████████████資助病房入院簡介

████████████████████成立超過六十五年，為本港有規模之全科醫院。

俗語有云：病從淺中醫

現時輪候醫院管理局轄下之醫院作手術安排，一般需要半年到兩年不等。為此本院設立資助病房(Subsidized Ward)，以優惠及有預算的價錢提供專科手術及入住本院特設之病房作手術後護理。

資助病房位置：

資助病房位於本院南座二樓，與手術室同一樓層，因而可減少移送病人時間及縮短移送路程。

手術安排：

所有需要入住資助病房之病人，均要先到本院門診部作出初步診斷。確定為適合入住之病症後，再由該醫生預約入院日期及進行手術之時間。在一般情況下輪候時間大約需要兩個星期。

護理安排：

資助病房內之設備及護士人手安排均與一般普通病房無異。反而會因集中處理外科手術病人，而令護理過程更加統一及流暢。

特別情況：

如因手術後需要留院超過預定之住院日期，本院會因應病人病情評估

1. 是否須要轉院 或 轉到另一普通病房(在██████████)
2. 或繼續於資助病房內接受治療。

收費：

本院會根據不同手術種類而制定不同的收費計劃。

收費已包括：房租\*，手術室、手術物料、基本化驗、藥物、及護理之費用。  
(註：醫生費包括在內)

\*房租為每天\$100，包括早、午、晚三餐基本膳食。

入住資助病房病人之要求:

- 1) 經濟條件較差及沒有購買住院醫療保險之病人。
- 2) 持有由醫院管理局轄下之醫院發出預約手術入院之便條。
- 3) 持有醫院管理局轄下之醫院專科門診轉介信。

本病房為資助病房，故不鼓勵可申報住院醫療保險之病人入住，以免影響其他經濟條件較差及沒有住院醫療保險之病人的輪候時間。

██████████ (██████) has been established for more than 65 years. It is one of the biggest private hospitals in Hong Kong with well equipped & modern health facilities.

As the average waiting time for some surgical operations in hospitals of the Hospital Authority (HA) is approximately 6 months to 2 years, ██████████s Hospital has the vision to establish the Subsidized Ward "Discount Scheme" which aims at providing a specialist inpatient surgical service with budgeted, affordable, discounted charges.

### **Location of the Subsidized ward**

The Subsidized Ward (S2) is located on the South Wing of ████████. The S2 is on the same level as our Operation Theatre, thus facilitates efficient transfer of such patients.

### **Arrangement of Surgical Procedure**

Patients who would like to be treated under this Discounted Scheme are requested to attend our Out-patient Clinic to receive an initial assessment. Decision will be made according to the admission criteria of the Subsidized Ward. The doctor will arrange the admission and operation date. The waiting time for admission will be around 2 weeks.

### **Arrangement of Nursing Care**

The Subsidized Ward provides the same standard of facilities and nursing care as other general wards of the hospital. Furthermore, since the Subsidized Ward is providing mainly pre-operative & post-operative care, the nursing care will be relatively smooth and uniform.

## **Special Circumstances**

If the length of hospital stay of any such patient exceeds the normal criteria of a specific surgical procedure, special arrangements will be provided by the hospital:-

1. to transfer the patient to another hospital or another ward (at [REDACTED]); or
2. to continue receiving his/her care in the Subsidized Ward.

## **Charges**

There are different payment plans according to the type of surgical procedure that a patient will receive.

The payment plan will include: Charges for the room / bed, Operation Theatre, Operative materials, Pathology basic tests, Medicine & Nursing treatment. (Note:- Doctor's fees are included)

The Subsidized Ward's daily bed charge will be \$100 per day which includes the provision of 3 basic meals (breakfast, lunch and dinner).

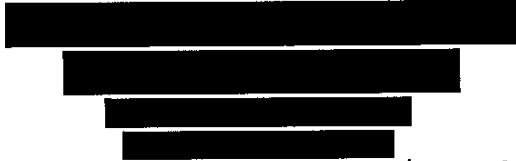
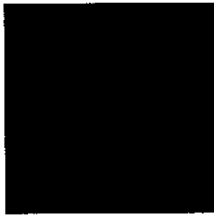
If the patient is required to stay in the subsidized ward for a period more than the scheduled period of a particular surgical procedure, the daily room charge will remain as \$100.

## **Eligibility of Admission to the Subsidized Ward**

Patients who are eligible for admission to the Subsidized Ward should have

- 1) Low income without in-patient insurance coverage.
- 2) An admission slip for a listed surgical procedure issued by any HA hospital
- 3) A referral letter from a specialist outpatient clinic of a HA hospital.

In view of the nature of the Subsidized Ward, patients with in-patient insurance coverage are not encouraged to apply. This is to avoid patients who do not have any in-patient insurance coverage, or who are financially under privileged, having prolonged waiting period.



(Hospital D)

Tel.: (852) [redacted] Fnx: (852) [redacted]  
Web Site: www.[redacted] Email: [redacted]@org.lk

Our Ref: EO-09-54

3 November 2009

Dear Doctor,

Re: Low charge beds at [redacted]

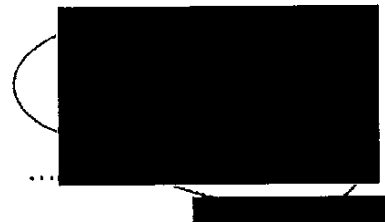
I would like to inform you that you are welcome to admit patients to our low charge beds at [redacted] with immediate effect. This is made possible by our agreement with the Lands Department for the use of the land upon which our main block was erected. As a pilot study, this scheme had been available to our resident doctors since June 2008 but it is time to make it available to all doctors.

Terms and conditions for the use of low charge beds are attached.

If you have any query, please feel free to contact our Accountant, [redacted]

I hope you will join us in offering quality health care to our patients at a reasonable cost.

Yours truly,



Medical Superintendent



Terms and Conditions for Admission to Low-Charge Beds at the [REDACTED]

1. [REDACTED] ("the Hospital") is a non-profit making hospital which has the objective of providing quality medical services to the general public.
2. In 1996, pursuant to a government land grant, the Hospital was granted a plot of land adjacent to their then existing hospital premises at [REDACTED] in Kowloon.
3. Pursuant to the land grant, the Hospital has an obligation to provide low-charge beds to the general public. The purpose of providing such beds is to allow patients in need, but of limited means, access to the Hospital for investigation and treatment.
4. Currently, the Hospital provides 100 low-charge beds. Patients may be admitted to these beds for undergoing elective investigation or treatment, including general medical and surgical treatments, endoscopy, dialysis and related nephrology treatments and ophthalmic surgery. It is not intended that this arrangement will provide long term nursing care for patients who could receive such treatment in a nursing home.
5. To be eligible for admission into a low-charge bed, a patient must be a permanent citizen of Hong Kong holding a valid Hong Kong Identity Card.
6. The following categories of the patients are not eligible for admission to the low-charge beds:-
  - (a) Those suffering from any medical or surgical conditions which require special care and monitoring and single room accommodation.
  - (b) Those seeking medical or surgical treatment which contravenes the teachings of the Catholic Church.
  - (c) Minor patients below the age of 12.
7. The charges for a patient who is entitled to and who is provided with a low-charge bed will be calculated on the following basis:-
  - (a) There will be a fixed daily maintenance charge of HK\$100 per day which covers accommodation, food and nursing services.
  - (b) Items for which a government patient in a Hospital Authority hospital would have to pay personally will be charged at cost.
  - (c) Charges for operating theatres, laboratory tests, x-ray tests and drugs (other than items within these four categories for which a government patient in a Hospital Authority hospital would have to pay personally) will be charged at 50% of the charge which would be applied to a second class bed at the Hospital.
  - (d) All charges other than those referred to in paragraphs 7(a) to (c) above will be charged at cost.



- (e) If upon or after admission transfer to an isolation ward or the intensive care unit is medically indicated, then all Hospital charges during the stay in the isolation ward or intensive care unit will be charged at the rate which would be applied to a third class bed at the Hospital.
  - (f) The fees of all doctors (whether resident doctors or private doctors with admission rights to the Hospital) will be charged at a rate not exceeding 50% of that applied to the second class bed at the Hospital.
  - (g) If upon or after admission the patient requests a transfer from a low-charge bed to a bed of another class at the Hospital, then all the Hospital charges and doctor's fees applicable to the latter class will be applied for the entire period of admission.
8. The Hospital shall regularly audit the accounts in respect of the amounts charged to the low-charge bed patients who have been treated at the Hospital in the preceding twelve months.
  9. Prior to admission into a low-charge bed, the admitting doctor and patient will be required to confirm in writing that they agree to the terms set out above. Such terms may be varied in writing by the Hospital from time to time without notice.
  10. The Hospital may in its absolute discretion determine whether or not to allow admission of a particular patient into a low-charge bed.



Date :

I (name of patient) agree to be admitted to a low-charge bed on the terms set out above.

\_\_\_\_\_  
Signature :

Date :

I (insert name of treating doctor) agree to treat the above-named patient in accordance with the above terms.

\_\_\_\_\_  
Signature :

Date :



**Report for the  
Registration of  
Hospitals &  
Maternity Homes  
2008**



(please enter the name of the hospital)

Excerpt of "Report for the Registration of Hospitals  
& maternity Home 2007"

8. Objectives (if applicable)

- a. To maintain and continuously improve the high standard of the efficient and cost-effective service in the promotion and restoration of health.
  - b. To be a team of dedicated, caring, competent and dynamic professionals working persistently to meet the needs and expectations of the community.
  - c. To provide a safe, clean, pleasant, comfortable and well presented environment conducive to the effective delivery of health care.
- 

9. Is your organization required to provide low-cost beds in the Land Grant? Please elaborate  Yes  No

92 nos. of low-cost beds.

---



**Report for the  
Registration of  
Hospitals &  
Maternity Homes  
2009**



(please enter the name of the hospital)

RECEIVED  
DATE: 7/8/09

Excerpt of "Report for the Registration of  
2 Hospitals & Medical Institutions"

1.5 Date of 1st commencement of hospital service 1940

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1.6 Charitable organisation (approved by the Commissioner of Inland Revenue)  Yes  No  NA

1.7 Mission statement of the hospital

Inspired by the Gospel values, the hospitals of the [REDACTED] exist to continue the healing mission of Jesus Christ. They are committed to provide comprehensive, competent and quality health care services to the community in the Christian spirit of faith, hope and charity and a positive attitude towards life.

In providing a loving and dedicated service to the sick and the needy, they strive to make present and concrete the goodness and love of God for all people.

---

1.8 Objectives (if applicable)

- a. To maintain and continuously improve the high standard of the efficient and cost-effective service in the promotion and restoration of health.
  - b. To be a team of dedicated, caring, competent and dynamic professionals working persistently to meet the needs and expectations of the community.
  - c. To provide a safe, clean, pleasant, comfortable and well presented environment conducive to the effective delivery of health care.
- 

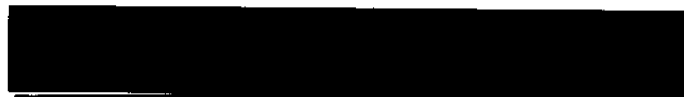
1.9 Is your organization required to provide low-cost beds in the Land Grant?  Yes  No

Please elaborate 92 nos. of low-cost beds

---



**Report for the  
Registration of  
Hospitals &  
Maternity Homes  
2010**



(please enter the name of the hospital)

*Excerpt of Report for the Report of  
Hospitality Ministry from 2010*

1.7 Mission statement of the hospital

Inspired by the Gospel values, the hospitals of the [REDACTED] exist to continue the healing mission of Jesus Christ. They are committed to provide comprehensive, competent and quality health care services to the community in the Christian spirit of faith, hope and charity and a positive attitude towards life.

In providing a loving and dedicated service to the sick and the needy, they strive to make present and concrete the goodness and love of God for all people.

---

1.8 Objectives (if applicable)

- a. To maintain and continuously improve the high standard of the efficient and cost-effective service in the promotion and restoration of health.
  - b. To be a team of dedicated, caring, competent and dynamic professionals working persistently to meet the needs and expectations of the community.
  - c. To provide a safe, clean, pleasant, comfortable and well presented environment conducive to the effective delivery of health care.
- 

1.9 Is your organization required to provide low-cost beds in the Land Grant?  Yes  No

Please elaborate 92 nos. of low-cost beds

---



**Report for the  
Registration of  
Hospitals &  
Maternity Homes  
2011**



(please enter the name of the hospital)

**RECEIVED**  
DATE 6/8/2011



*Excerpt of Report for the Registration of Hospitals & Maternity Homes 2011*

3.6 Expansion plan for the total no. of hospital beds for the next five years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
General Hospital Beds	40	80	35	35	35
Maternity Beds	-	-	-	-	-
Baby Cots	-	-	-	-	-

3.7 Provision of low-charge bed in accordance with the terms  Yes  No and condition of hospital's land grant

Please indicate the number of low-charge bed provided and the location of bed

Number of low-charge bed	92 beds
Location	M6A and M6B

3.8 Floor distribution of service units **Appendix DIR**  
(Please provide a directory showing floor distribution of all service units, as example below.)

Name of Building Block	Floor Location	Service Unit
Block A	LG/F	Laundry
		Maintenance Department
		Housekeeping Department
	G/F	OPD
		Reception Office
		Account Office
	1/F	Medical Ward
		Paediatric Ward

3.9 Layout Plan (N/A) **Appendix ---**

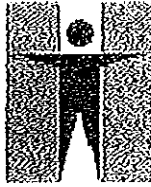
**For first application, please attach a layout plan for the whole premises**

3.10 Facilities for the disabled patients / residents  Yes  No

If yes, please specify (e.g. disabled toilets, ramps)

Toilets and ramps

---



Report for the  
Registration of  
Hospitals &  
Maternity Homes

2012



Received on : 5/9/2012  
Hard copy / Soft copy : Hard/Soft  
Changed to (pdf. file) on : 6/9/2012  
Data entry to (xls.file) on : 6/9/2012  
Copied on 6/9/2012 : Report: 8 .Appendix: 8

*Receipt of report from  
Hospitals & maternity from 2012*

3.6 Expansion plan for the total no. of hospital beds for the next five years:-

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
In-patient Hospital Beds	54	18	22	-	-
Maternity Beds	-	-	-	-	-
Baby Cots	-	-	-	-	-

3.7.1 Provision of low-charge bed in accordance with the terms and condition of hospital's land grant  Yes  No  NA

If yes, please indicate the number of low-charge bed provided and the location of bed

Number of low-charge bed	100 beds
Location	M6A and M6B

3.7.2 Provision of free bed in accordance with the terms and condition of hospital's land grant  Yes  No  NA

Number of free bed	20 beds
Location	To be provided at S 3

3.8 Floor distribution of service units  
(Please provide a directory showing floor distribution of all service units, as example below)

Appendix DIR

Name of Building Block	Floor Location	Service Unit
Block A	LG/F	Laundry
		Maintenance Department
		Housekeeping Department
	G/F	OPD
		Reception Office
		Account Office
	1/F	Medical Ward
		Paediatric Ward

3.9 Layout Plan (N/A)

Appendix ---

For first application, please attach a layout plan for the whole premises

*( Amended on 14 Dec 2012 )*



Surprise visit - [REDACTED] (Low Charge Bed)

[REDACTED] to: [REDACTED], [REDACTED], [REDACTED] ...

15/12/2009 11:39

From: [REDACTED]/HKSARG

To: [REDACTED]/HKSARG@DH, [REDACTED]/HKSARG@DH, [REDACTED]  
[REDACTED]/HKSARG@DH, [REDACTED]/HKSARG@DH, [REDACTED]  
[REDACTED]/DH/HKSARG@DH

Dear all,

Surprise visit conducted with [REDACTED] at [REDACTED] yesterday (14.12.09 (Mon)). [REDACTED], CNO and [REDACTED], SNO were interviewed. The following findings in connection with low charge bed issue are noted for your information:

Nos. of low charge beds and their locations

(a) [REDACTED] showed us the make-up of the total of 100 low charge beds with namely 60 beds on 2/F South Wing and 28 Beds on 2/F North Wing. Other than these, there were 12 renal dialysis beds on 5/F East Wing. In the meantime, there were 24 in-patients in South Wing and 9 in North Wing. The number of discharged patients up to time of inspection during the date were 18. For haemodialysis, [REDACTED] told that there were two shifts daily and the ward was full in both shifts.

Locations of low charge bed notices

(b) We found that the notice (in A4 size vide sample attached) was posted at notice board near OPD and another one on notice board at side of admission counter. Due to the low charge bed clause being too small to be readable, [REDACTED] & [REDACTED] were suggested to enlarge the notice to A3 size. Besides, there was a leaflet holder near the "Suggestion Box" containing leaflets on "資助病房簡介" (copy attached) for public information.

Room Charges.pd 資助病房簡介.pdf

Of a total of 6 counters at Admission, each counter was placed with an A3 size notice as mentioned for information of patient to be admitted. [REDACTED] supplemented that admission officer would introduce to each patient their low charge bed policy for consideration before admission.

Criteria of admission

(c) [REDACTED] told further that other than renal dialysis cases, low charge bed cases were mainly related to endoscopy, cataract, .. etc. Patients might now claim recovery from their insurance company. Over 95% patients were referred by [REDACTED] doctors and others from HA referrals.

Hospital bills

(d) The hospital bills of two discharges cases (copy attached) were checked and found to be in order (i.e. daily maintenance \$100 and procedures charged at 50% of similar procedures at 2nd class rates).

Two Hospital Bills Dec 09.p

The visit ended up at 18.15pm.

Regards,

[REDACTED]

醫院

### 資助病房簡介

本院設有資助病房(Subsidized Wards) \*，以優惠的價錢提供專科手術、檢查及治療等服務。

- 入住資助病房條件：
1. 持有由醫院管理局轄下之醫院發出之預約入院信之病人；或
  2. 由本院駐院及本院註冊醫生轉介之病人。

- 入住資助病房程序：
1. 先由主診醫生作出初步診斷，確定病人具備上述適合入住資助病房之條件。
  2. 再由該醫生預約入住日期，進行檢查、治療或手術等之時間。
  3. 如因手術或病情轉變，需要留院時期超過預定之日期，本院將因應病人之情況作出評估，決定須否轉院，或轉至本院之普通病房繼續接受治療。

- 資助病房的收費：
1. 本院將根據不同之手術、治療種類或檢查，制定不同的資助計劃。
  2. 每天房租為港幣 \$100，已包括早、午、晚三餐基本膳食。

\* 備註：本院設立資助病房的目的，為協助及舒緩經濟條件較弱之病人，俾能及早獲得適當之診斷及治療。

### 資助病房簡介

醫院

DATE OF INSPECTION : 13.7.2010 TEAM : SMO(R)2, CNO(R), NO(R), SHA(SD) & HA(R)

HOSPITAL : (Reprovisioned Neonatal Unit and Low-charge Beds Ward (M6)) STAFF INTERVIEWED : Mr [REDACTED] Manager (OS&C), Ms [REDACTED] CNO, Ms [REDACTED] SNO

**CHECKLIST FOR SURPRISE INSPECTION**

Focus area	✓ or ×	Overall Assessment			Issues / Remarks
		C <sup>1</sup>	PC <sup>2</sup>	N/C <sup>3</sup>	
1. Patient's rights & privacy, complaint, communication, hospital charges list – · Relevant notices/leaflets/forms available in English and Chinese for patients' information and reference (✓) · Others ( )		✓			
2. Security – · All staff in proper uniform & wear name badges (✓) · CCTV with surveillance notice (✓) · Uniformed security guard on beat (N/A <sup>4</sup> ) · Others ( )		✓			
3. Fire safety – · Fire exit signage (✓) · Fire fighting equipment (✓) · Emergency lighting (✓) · Obstruction by cabinets, shelves or stores in exit routes (X) · Manual fire alarm call points, fire hydrants or hose reels obstructed by other objects (X)		✓			

<sup>1</sup> C = Complied  
<sup>2</sup> PC = Partially Complied  
<sup>3</sup> N/C = Not Complied  
<sup>4</sup> N/A = Not Applicable

Focus area	✓ or ×	Overall Assessment			Issues / Remarks
		C <sup>1</sup>	PC <sup>2</sup>	N/C <sup>3</sup>	
<ul style="list-style-type: none"> <li>• Fire fighting equipment inspected once yearly with date of inspection on apparatus, etc.</li> <li>• Others _____</li> </ul>	(N/A) ( )				
<p>4. Neonatal Unit –</p> <ul style="list-style-type: none"> <li>• Equipment on a regular planned maintenance programme with documentation</li> <li>• Viewing panel available</li> <li>• Incubators available</li> <li>• Sufficient space between cots</li> <li>• Suction equipment and oxygen supply available</li> <li>• Separate equipment/facilities for storage of infant formula and breast milk</li> <li>• Facilities to prepare milk for newborns in a hygienic manner</li> <li>• Others <u>(i) Emergency electricity available</u></li> <li>                  <u>(ii) Isolation room available</u></li> <li>                  <u>(iii) Wash hand basin available in cloak room</u></li> </ul>	(N/A) (✓) (✓) (✓) (✓) (✓) (N/A) (✓) (✓) (✓)	✓			<ul style="list-style-type: none"> <li>• Facilities from the existing neonatal unit would be relocated to the new neonatal unit.</li> <li>• Water tap to the baby bath basin to be connected.</li> </ul>
<p>5. Low-charge Bed Ward (M6) –</p> <ul style="list-style-type: none"> <li>• Bed curtain available for each bed</li> <li>• Each patient has locker to keep personal belongings and clothes</li> <li>• A call-bell system available to bed, toilet / changing cubicle, etc. within easy reach of patient</li> <li>• Over-bed table provided for eating, drugs taking, writing, etc.</li> <li>• Others _____</li> </ul>	(✓) (✓) (✓) (✓) ( )	✓			<ul style="list-style-type: none"> <li>• There were in total 98 beds located on 6/F, Main Block, which were reprovisioned from S2 and N2 wards. The combined ward would enable centralized management of in-patients by hospital staff.</li> <li>• It was found that low charge bed information leaflets were available to patients at hospital admission counters.</li> </ul>

6.	Maintenance -- <ul style="list-style-type: none"> <li>• Window panels securely locked against fall from height</li> <li>• Facilities e.g. A/C exhaust filters in a cleanly condition</li> <li>• Wash hand basin with soap dispenser, tissue and dustbin</li> <li>• Adequate lighting and ventilation</li> <li>• Other _____</li> </ul>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>				• Temperature and humidity monitored in neonatal unit.
----	--	--	--	--	--	--

COMPLETED BY:

Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Position: HA(R)  
 Date: 4 Aug 2010

COUNTERSIGNED BY:

Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Position: SHA(SD)  
 Date: 4 Aug 2010

ENDORSED BY:

Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Position: SMOR(2)  
 Date: 5/8/2010



## Inspection Report

Name of PH	[REDACTED]		
<b>Inspection</b>			
Date of Inspection	1 and 2 December 2011		
Inspection Team Members	<u>ORHI</u> PMO(1), SMO(R)2, SHA(R), CNO(R), MO(R)2, NO(R)2, RN(R)2, HA(R) & NO(R)1 CMD: SO(M)PH2		
Staff Interviewed	Ms. [REDACTED] (Chief Nursing Officer), Mr. [REDACTED] (Manager)(Quality, Safety and Corporate Services), Ms. [REDACTED] (Senior Nursing Officer), Ms. [REDACTED] [REDACTED] (Senior Nursing Officer), Ms [REDACTED], [REDACTED] (Senior Nursing Officer) and persons in-charge and the frontline staff of respective services		
<b>Post-Inspection Meeting</b>			
Date of Meeting	9.12.2011		
Attendance	<u>ORHI</u> PMO(1), SMO(R)2, SHA(R), CNO(R)  <u>STH</u> [REDACTED] (Member, Hospital Governing Committee), Dr [REDACTED] [REDACTED] (Medical Superintendent), Dr [REDACTED] (Deputy Medical Superintendent), Ms [REDACTED] (Chief Nursing Officer), Mr [REDACTED] (Manager, Quality, Safety and Corporate Services), Ms [REDACTED] (Senior Nursing Officer), Mr [REDACTED] (General Manager), Mr [REDACTED] (Chief Pharmacy Officer), Dr [REDACTED] (Consultant Pathologist), Mr [REDACTED] (Engineering Manager)		
<b>Assessment</b>			
Overall Assessment		Satisfactory	
	✓	Generally satisfactory, with follow-up action	
		Partially satisfactory, with irregularities to be rectified	
		Unsatisfactory	
Plan for follow-up	<input checked="" type="checkbox"/> Routine inspection <input type="checkbox"/> To re-inspect in _____ days/ weeks/ months		
Recommendation for Re-registration	<input checked="" type="checkbox"/> Recommended <input type="checkbox"/> On conditional basis <input type="checkbox"/> Not recommended		

Prepared By:	Miss [REDACTED] / HA(R) [REDACTED] 14/12/11	Ms. [REDACTED] / NO(R)2 [REDACTED] 14/12/2011
Endorsed by:	Signature : [REDACTED]	Signature : [REDACTED]
	Name : Dr [REDACTED]	Name : Dr. [REDACTED]
	Post : SMO(R)2	Post : PMO(1)
	Date : 16/12/2011	Date : 20.12.2011

*Part 1 General Requirements*

		Sat <sup>1</sup>	Partially Sat <sup>2</sup>	Unsat <sup>3</sup>	NA <sup>4</sup>	Remarks
1.	Organisation and Administration of an Establishment	✓				
2.	Accommodation and Equipment		✓			Note remark (2)
3.	Staffing and Human Resources Management		✓			Note remark (1)
4.	Quality Management of Services	✓				
5.	Policies and Procedures	✓				
6.	Rights of Patients	✓				
7.	Patient Care	✓				
8.	Risk Management	✓				
9.	Medical Records	✓				
10.	Research				✓	
11.	Information to be Submitted to Director of Health	✓				

Remarks/Overall comment:

Refer to remarks (1) and (2) in Part 2

- <sup>1</sup> Satisfactory  
<sup>2</sup> Partially Satisfactory  
<sup>3</sup> Unsatisfactory  
<sup>4</sup> Not Applicable

*Part 2 Standards on Clinical Services*

The hospital provides the following clinical services: (those marked with “\*” were inspected)

- Cardiac Catheterisation Service\*
- Chinese Medicine Service\*
- Comprehensive Breast Centre\*
- Cyclotron Unit\*
- Dental Department\*
- Endoscopy Service\*
- Eye Clinic\*
- Haemodialysis Service\*
- Health Screening & Diagnostic Centre\*
- Hearing & Speech Centre\*
- Lithotripsy & Urology Centre\*
- Maternity Services\*
- Oncology Service\*
- Operating Theatre Service \*
- Out-Patient Department\*
- Pathology\*
- Pharmacy and Dispensing Service\*
- Physiotherapy Service\*
- Radiotherapy Services (Scanning Department and X-ray Department)
- Skin Clinic\*
- Special Care Unit\*
- Wards (Medical; Mixed, Paediatrics, Private, Surgical)\*

		Sat <sup>1</sup>	Partially Sat <sup>2</sup>	Unsat <sup>3</sup>	NA <sup>4</sup>	Remarks
1.	General Requirements	✓				
2.	Staffing	✓				(1)
3.	Facilities and Equipment		✓			(2)
4.	Medication Management		✓			(3)
5.	Records	✓				
6.	Blood Bank	✓				
7.	Other Requirements				✓	

**Remarks/Overall comment:**

(1) Staffing

- Special Care Unit

- There was a special care unit with 12 beds for taking care of patients requiring intensive/ critical care services. Based on the inspection and hospital's submissions, there were occasions that about 4-5 patients were taken care by only 3 registered nurses during night shift. During the meeting, the Chief Nursing Officer clarified that in case there is patient required critical care, there will be appropriate staff to patient ratio to take care of the patient at all time.

- Chinese Medicine Services

- No registered Chinese medicine practitioner was appointed to take overall charge of the service. Only a listed Chinese medicine practitioner was appointed to play this role instead, which did not meet the requirement of Clause 32.2.1 of CoP.

(2) Facilities and Equipment

- Low-charge beds ward

- Equipment and consumables was not set up or in place readily in one of the wards. During inspection, there was no patient admitted to this ward.

(3) Medication Management

- Radiology Service (Scanning Department, Main Block B1/F)

- One syringe filled with contrast was found prepared in advance for injection to patients. There was just a label of "contrast" on the syringe without any further detail of the name and strength of the contrast.

- General

- According to the medication incidents report and the investigation findings, there were repeated occasions that prescriptions in clinical notes were illegible and led to medication errors.

*Part 3 Standards on Support Services*

		Sat <sup>1</sup>	Partially Sat <sup>2</sup>	Unsat <sup>3</sup>	NA <sup>4</sup>	Remarks
1.	Housekeeping Service	✓				
2.	Catering Service	✓				
3.	Linen and Laundry Services	✓				
4.	Clinical and Chemical Wastes Management	✓				
5.	Storage and Supply of Medical Gases	✓				
6.	Mortuary Service	✓				
7.	Central Sterile Supplies Service	✓				

Remarks/Overall comment:  
NIL

*Others*

Electricity Supply and Distribution System

The Department of Health has commissioned a contractor (██████████) to conduct a review of the electricity supply and distribution system of ██████████ with professional assistance from the Electrical and Mechanical Services Department from November to December 2011. Please refer to the summary report and the contractor's report for the details.

-- END --

## Summary Report of Inspection

Name of hospital:	██████████
Date of inspection:	1 and 2 December 2011
Date of meeting with hospital management:	9 December 2011
Overall assessment:	Generally satisfactory, with follow-up actions

A) Areas for review / improvement

*I. General requirements:*

Refer to the advices on staffing and facilities and equipment below.

*II. Standards on clinical services:*

Staffing

- To make sure that there is appropriate proportion of nurses to take care of patients requiring intensive/ critical care at all times in accordance with Cap. 165 and the Code of Practice For Private Hospitals, Nursing Homes and Maternity Home.
- To appoint a registered Chinese medicine practitioner with valid practicing certificate to take overall charge of the service in accordance with the Code of Practice For Private Hospitals, Nursing Homes and Maternity Home.

Facilities and Equipment

- To make sure that necessary equipment including necessary consumables are readily in place in each ward / service.

Medication Management

- To review the medication management and drug administration procedures to ensure medication safety, such as proper labelling of prepared medication including contrast media for radiology imaging.
- To have hospital policy and mechanisms in place to prevent medication errors due to illegible prescriptions.

*III. Standards on support services:*

Nil

B) General advice

The following matters were brought to the attention of the hospitals in light of the medical incidents and complaints received by the Department of Health in 2011 concerning private hospitals.

- Guidelines and drills to ensure prompt emergency response and resuscitation;
- Observation and timely management of patients with deteriorating conditions;
- Protocols and drills for urgent blood transfusion;
- No reuse of single-use medical device;
- Radiation health and occupational safety;
- Timely reporting of sentinel events;
- Operation of maternity services within the scale and scope registered with DH; and
- Properly equipped neonatal services to cater for babies requiring special care.

Office for Registration of Healthcare Institutions  
Department of Health

December 2011

DATE: 11-12-2009 16:44

TEL: [REDACTED]

PAGE: 1

收 費 單  
STATEMENT OF ACCOUNT

單 號  
INVOICE NO.: AC2009135308

性別: [REDACTED] 年齡: [REDACTED]  
SEX: [REDACTED] AGE: [REDACTED]

姓名:  
NAME:

病人編號  
PATIENT NO.: HN [REDACTED] 2693

房 號  
ROOM / BED: S238-6

入院日期  
ADMISSION DATE: 11-12-2009

出院日期  
DISCHARGE DATE: 11-12-2009

日期 DATE	代碼 CODE	項目 PARTICULARS	金額 AMOUNT	總金額 SUB-TOTAL
11-12-09	110	ENDOSCOPIC CHARGES-COLONOSCOPY 結腸鏡檢查	2,657.00	
	27	HISTOPATHOLOGICAL EXAMINATION 病理化驗	960.00	
	42	MEAL/BEVERAGE 膳食費	94.00	
	70	REGISTRATION FEE 住院登記	75.00	
	73	ROOM CHARGE 房租費	100.00	
	77	ULTRASOUND 超聲波	560.00	
			.....	4,446.00
		TOTAL HOSPITAL FEE 醫院費合共		4,446.00
11-12-09	16	DR. [REDACTED]		
		Operation 手術費	4,200.00	
		Ward Round Fee 巡房費	600.00	
			.....	4,800.00
		TOTAL DOCTOR FEE 醫生費合共		4,800.00
		TOTAL FEE 總額		9,246.00
		PLEASE PAY THIS AMOUNT (Hong Kong Dollars) 請繳付此款項 (港幣)		9,246.00

- 商標:-
- 1. 賬單需於發出後二十四小時內繳付，按全數在出院時扣除。
  - 2. 出院時須繳付結賬。
  - 3. 並到本賬單項下結賬時一併交出。
  - 4. 蓋上院印之賬單，若其支票亦已過戶，可作有效收據。
  - 5. 院方不再另發收據。

4. B.
- 1. Interim account, when presented, must be settled within 24 hours. Deposit will be offset in the final account.
  - 2. Final account must be settled upon patient's discharge.
  - 3. The statements of account are to be presented intact upon payment.
  - 4. Receipt is only valid when cheque is cleared and hospital chop is imprinted.
  - 5. No other official receipt will be issued.

銀行 BANK	支票號碼 CHEQUE NO. [REDACTED]
RECEIVED PAYMENT WITH THANKS	
11 DEC 2009	
CASH ..... CHO. NO. .... CR. CARD .....	

V: 7000  
V: 2246

院印印上須收據  
RECEIVED PAYMENT IMPRINTED

E. & O. E.



[A/RPT248] [REDACTED]

Invoice Details Report

Sort Sequence : Tx, Date, Fee Type  
 Fee Type : ALL  
 Hospital No. : HN [REDACTED] 2693

Invoice No. AC2009135308

Paid

Tx Date	Fee Type	Fee Code	Description	Hospital Class - H	Hospital Class - H	Total Price	Ref No.
11-12-2009	AK	I	REGISTRATION FEE			\$75.00	\$150.00 50%
11-12-2009	CO		COLONOSCOPY			\$2,657.00	\$5,314.00 50%
11-12-2009	HI	H011	Histopathological Examination			\$960.00	\$1,920.00 50% 09209417
11-12-2009	RM	RM	ROOM CHARGE (including 3 meals)			\$100.00	\$300.00 33%
11-12-2009	US	0701	Ultrasound			\$560.00	\$1,120.00 50% P54300-09
11-12-2009	MR		Meal / Beverage (extra ordering)			\$94.00	\$94.00
						<u>\$4,446.00</u>	<u>\$9,451.00</u> 47%
11-12-2009	DK	[REDACTED]	Doctor fee - [REDACTED]			\$1,800.00	N/A DW5991
						<u>\$9,246.00</u>	

\*\*\* End of Report \*\*\*

日期: 13-04-2010 18:39

收費單  
STATEMENT OF ACCOUNT

單號: AC2010038921

性別: █████ 年齡: █████

房號: ROOM/BED: 9238-4

出院日期: DISCHARGE DATE 13-04-2010

姓名: █████  
NAME: █████  
病人編號: PATIENT NO. HN: █████ 2261

入院日期: ADMISSION DATE: 12-04-2010

日期 DATE	代碼 CODE	項目 PARTICULARS	金額 AMOUNT	小計 SUB-TOTAL
12-04-10	42	MEAL/BEVERAGE 膳食費	10.00	
	44	MEDICINE/INJECTION 藥費/藥物注射費	45.00	
	70	REGISTRATION FEE 住院登記	75.00	
	73	ROOM CHARGE 房租費	100.00	230.00
13-04-10	109	ENDOSCOPIC CHARGE-GASTROSCOPY 胃鏡檢查	1,336.00	
	110	ENDOSCOPIC CHARGES-COLONOSCOPY 結腸鏡檢查	1,840.00	
	27	HISTOPATHOLOGICAL EXAMINATION 病理化驗	960.00	
	73	ROOM CHARGE 房租費	100.00	
	77	ULTRASOUND 超聲波	1,820.00	6,056.00
		TOTAL HOSPITAL FEE 醫院費合共		6,286.00
13-04-10	16	DR. █████ Operation 手術費	10,000.00	
		Ward Round Fee 巡房費	1,200.00	11,200.00
		TOTAL DOCTOR FEE 醫生費合共		11,200.00
		TOTAL FEE 總額		17,486.00
				\$17,486.00
TOTAL BALANCE DUE (Hong Kong Dollars) 應繳金額總數 (港幣)				\$17,486.00

COPY

註:-  
賬單需於發出後二十四小時內清付, 按全會在出院時扣除。  
出院時須清付餘賬。  
正副單張單須於結賬時一併交出。  
若上院即之賬單, 若其支票亦已過戶, 可作有此收據。  
院方不再另作收據。

Interim account, when presented, must be settled within 24 hours. Deposit will be offset in the final account.  
Final account must be settled upon patient's discharge.  
The statements of account are to be presented intact upon payment.  
Receipt is only valid when cheque is cleared and hospital chop is imprinted.  
No other official receipt will be issued.

銀行 BANK	支票號碼 CHEQUE NO.

機印金額收據  
RECEIVED PAYMENT IMPRINTED

E. & O. E.

Invoice Details Report

Sort Sequence : Tx. Date, Fee Type  
 Fee Type : ALL  
 Hospital No. : HN [REDACTED] 2261  
 Admission Date : 12-04-2010  
 Discharge Date : 13-04-2010

Invoice No. AC2010038921

Tx. Date	Fee Type	Fee Code	Description	Hospital Class - H Total Price	Hospital Class - B Total Price	
12-04-2010	AK	I	REGISTRATION FEE	75	150	50%
12-04-2010	MB		Meal/Beverage (extra meals ordering)	10	10	100%
12-04-2010	MI		Medicine / Injection	45	90	50%
12-4-2010 and 13-4-2010	RM	RM	ROOM CHARGE (Class H including 3 meals)	200	1,760	11%
13-04-2010	GA		Gastroscopy	1,336	2,672	50%
13-04-2010	CO		Colonoscopy	1,840	3,679	50%
13-04-2010	HI		Histopathological Examination	960	1,920	50%
13-04-2010	US		Ultrasound	1,820	3,640	50%
				<u>6,286</u>	<u>13,921</u>	45%
13-04-2010	DR	[REDACTED]	Doctor fee - [REDACTED]	<u>11,200</u>	N/A	
				<u>17,486</u>		

\*\*\* End of Report \*\*\*

日期: 21-06-2011 19:04

頁 PAGE: 1

收 費 單  
STATEMENT OF ACCOUNT

單 號  
INVOICE NO.: AC2011068781

姓名: [REDACTED]  
NAME: [REDACTED]

性別: [REDACTED] 年齡: [REDACTED]  
SEX: [REDACTED] AGE: [REDACTED]

病人編號  
PATIENT NO.: HN [REDACTED] 5234

房 號  
ROOM / BED: M610-8

入院日期  
ADMISSION DATE: 20-06-2011

出院日期  
DISCHARGE DATE 21-06-2011

日期 DATE	代號 CODE	項 目 PARTICULARS	金 額 AMOUNT	總金額 SUB-TOTAL
20-06-11	33	LABORATORY 化驗費	1,958.00	
	44	MEDICINE/INJECTION 藥費/藥物注射費	67.00	
	70	REGISTRATION FEE 住院登記	75.00	
	73	ROOM CHARGE 房租費	100.00	
				2,200.00
21-06-11	109	ENDOSCOPIC CHARGE-GASTROSCOPY 胃窺鏡檢查	1,426.00	
	110	ENDOSCOPIC CHARGES-COLONOSCOPY 結腸窺鏡檢查	1,840.00	
	42	MEAL/BEVERAGE 膳食費	170.00	
	44	MEDICINE/INJECTION 藥費/藥物注射費	90.00	
	73	ROOM CHARGE 房租費	100.00	
	76	TREATMENT/ASSOCIATE MATERIALS 治療及有關物料費	61.00	
	77	ULTRASOUND 超聲波	560.00	
				4,247.00
		TOTAL HOSPITAL CHARGES 醫院費合共		6,447.00
21-06-11	16	[REDACTED] DR. [REDACTED] Operation 手術費	9,500.00	
		Ward Round Fee 巡房費	1,400.00	
				10,900.00
		TOTAL DOCTOR FEE (\$) 醫生費合共		10,900.00
		GRAND TOTAL 總額		17,347.00
				\$17,347.00
		TOTAL BALANCE DUE (Hong Kong Dollars) 應繳金額總數 (港幣)		\$17,347.00

摘錄:-

1. 賬單需於發出後二十四小時內清付, 按金會在出院時扣除。
2. 出院時須清付餘款。
3. 正副本賬單須於結賬時一併交出。
4. 蓋上院印之賬單, 若其支票亦已過戶, 可作有效收據。
5. 院方不再另發收據。

N. B.

1. Interim account, when presented, must be settled within 24 hours. Deposit will be offset in the final account.
2. Final account must be settled upon patient's discharge.
3. The statements of account are to be presented intact upon payment.
4. Receipt is only valid when cheque is cleared and hospital chop is imprinted.
5. No other official receipt will be issued.

銀行  
BANK

支票號碼  
CHEQUE NO.

V=1000  
V=10347

RECEIVED PAYMENT  
WITH THANKS

21 JUN 2011

CASH .....  
CHK. NO. ....  
CR. CARD .....

機印示金額收訖  
RECEIVED PAYMENT IMPRINTED

E. & O. E.



Invoice Detail Report

Sort sequence : Tx. Date, Fee Type  
Fee type : ALL  
Hospital no. : HN [redacted] 5234  
Admission Date : 20-06-2011  
Discharge Date : 21-06-2011

Invoice no:AC2011068781

Tx.Date	Fee Code	Description	Hospital Class-H Total price	Hospital Class-B Total Price	
20-06-2011	AK 1	REGISTRATION FEE	\$75.00	\$150.00	50%
20-06-2011	LA	Laboratory	\$1,958.00	\$3,910.00	50%
20-06-2011	MI	Medicine / Injection	\$67.00	\$133.00	50%
20/06/11 and 21/06/11	RM RM	ROOM CHARGE (Class H including 3 meals)	\$200.00	\$1,960.00	10%
21-06-2011	CO	COLONOSCOPY	\$1,840.00	\$3,679.00	50%
21-06-2011	DT	Treatment / Associate Materials	\$61.00	\$122.00	50%
21-06-2011	GA	GASTROSCOPY	\$1,426.00	\$2,849.00	50%
21-06-2011	MB	Meal / Beverage (extra meals ordering )	\$170.00	\$170.00	100%
21-06-2011	MI	Medicine / Injection	\$90.00	\$179.00	50%
21-06-2011	US	Ultrasound	\$560.00	\$1,120.00	50%
			<u>\$6,447.00</u>	<u>\$14,272.00</u>	45%
21-06-2011	DR [redacted]	Doctor fee [redacted]	\$10,900.00	N/A	
			<u>\$17,347.00</u>		

\*\*\* End of Report \*\*\*

日期  
DATE: 07-Sep-2012 09:16:25

姓名  
NAME: [REDACTED]

病人號碼  
PATIENT NO.: [REDACTED]

入院日期  
ADMISSION DATE: 06-Sep-2012

[REDACTED]  
[REDACTED]  
[REDACTED]  
TEL: [REDACTED]  
Wobello: [REDACTED]

頁數  
PAGE: 1 of 1  
編號  
NO: [REDACTED]  
性別  
SEX: [REDACTED]

收 費 單  
STATEMENT OF ACCOUNT

房號  
ROOM / BED: M614-5

出院日期  
DISCHARGE DATE: 07-Sep-2012



日期 DATE	項 目 PARTICULARS	金額 AMOUNT (HK\$)	總金額 SUB-TOTAL (HK\$)
06-09-12	ENDOSCOPIC CHARGE-GASTROSCOPY HISTOPATHOLOGICAL EXAMINATION LABORATORY MEDICINE/INJECTION ADMISSION SERVICE BED/ROOM CHARGE ULTRASOUND	胃鏡檢查 病理化驗 化驗費 藥費/藥物注射費 入院服務 病床/病房收費 超聲波	\$1,817 \$995 \$1,096 \$828 \$90 \$100 \$1,610 ..... \$6,536 ..... \$0 ..... \$6,536
	TOTAL HOSPITAL CHARGES	醫院費合共	..... \$6,536
07-09-12	Word Round Fee Operation	巡房費 手術費	\$1,000 \$4,000 ..... \$5,000
	TOTAL DOCTOR FEE (\$)	醫生費合共	..... \$5,000
	GRAND TOTAL	總額	..... \$11,536
TOTAL BALANCE DUE		應繳金額總數	..... \$11,536

註：...  
 1. 住院賬單須於出院二十四小時內繳付，撥入會在出院時扣除，出院時須繳付餘款。  
 2. 門診賬單須於診後繳付。  
 3. 其上市印之賬單，必須支票或已過戶，方可作有效收據。  
 4. 院方不再另作收據。  
 5. 本院保留向逾期賬目收取附加利息的權利。  
 6. 出院賬單如有錯誤，醫院保留追討權利。

I. B.  
 1. Interim account, when presented, must be settled within 24 hours. Deposit will be offset in the final account.  
 2. Final account must be settled upon patient's discharge.  
 3. Out-Patient account must be settled after consultation.  
 4. Receipt is only valid when cheque is cleared and hospital chop is imprinted.  
 5. No other official receipt will be issued.  
 6. The Hospital reserves the right to impose surcharge on the overdue accounts.  
 7. The Hospital reserves the right to subsequently bill any undercharge.

Payment Date: 07-Sep-2012  
 VISA [REDACTED] \$11,536  
 Total: [REDACTED] \$11,536

Appendix 3

Print Date 17.9.2012

Sort Sequence Tx. Date, Fee Type  
 Fee Type ALL

Invoice No. AC2012107509

Admission Date 06-09-2012  
 Discharge Date: 07-09-2012

<i>Tx.Date</i>	<i>Description</i>	Hospital Class - H Total Price <a>	Hospital Class - B Total Price <b>	<b/u>
06-09-2012	ADMISSION SERVICE	90	180	50%
06-09-2012	Laboratory	1,096	2,190	50%
06-09-2012	ULTRASOUND	1,610	3,220	50%
06-09-2012	Medicine / Injection	828	1,721	48%
06-09-2012	ROOM CHARGE (Class H including 3 meals)	100	1,030	10%
06-09-2012	HISTOPATHOLOGICAL EXAMINATION	995	1,990	50%
06-09-2012	GASTROSCOPY	1,817	3,642	50%
		<u>6,536</u>	<u>13,973</u>	47%
07-09-2012	Doctor fee - [REDACTED]	<u>5,000</u>	N/A	
		<u>11,536</u>		

\*\*\* End of Report \*\*\*

[Redacted]  
[Redacted]  
[Redacted]  
Tel: (852) [Redacted] Fax: (852) [Redacted]  
Email: [Redacted]

\*\*\* FAX MESSAGE \*\*\*

To: [Redacted] From: [Redacted]  
Your Fax: 2156 2021 Our Fax: [Redacted]  
Date: 5 December 2008 Page(s): 2 (including the covering page)

- |   |  |
|---|--|
| <input type="checkbox"/> Urgent                 | <input type="checkbox"/> Please confirm upon receipt     |
| <input type="checkbox"/> For your records       | <input type="checkbox"/> For necessary action            |
| <input type="checkbox"/> For your comments      | <input checked="" type="checkbox"/> For your information |
| <input type="checkbox"/> Please sign and return | <input type="checkbox"/> For approval and return         |

Dear [Redacted]

Enclosed please find the admission report for H Class Beds in [Redacted]  
Please feel free to contact if you have any further question.

Best Regards  
[Redacted]

Admission report of [Redacted] Subsidized Ward

		Subtotal	Cumulative since June 2008
June-August 2008	Referral from clusters	9	
	Walk in to [Redacted] OPD	71	80
September 2008	Referral from clusters	0	
	Walk in to [Redacted] OPD	25	105
October 2008	Referral from clusters	3	
	Walk in to [Redacted] OPD	37	145
November 2008	Referral from clusters	0	
	Walk in to [Redacted] OPD	23	168
December 2008	Referral from clusters		
	Walk in to [Redacted] OPD		

RECORDED 11



Tel: (852) [REDACTED] Fax: (852) [REDACTED]  
Email: [REDACTED]

\*\*\*

**FAX MESSAGE**

\*\*\*

To: [REDACTED]

From: [REDACTED]

Your Fax: 2156 2021

Our Fax: [REDACTED]

Date: 10 November 2009

Page(s): 1 (including the covering page)

Month	Subtotal	Cumulative since June 2008
January 2009	31	236
February 2009	168	404
March 2009	476	880
April 2009	448	1328
May 2009	469	1797
June 2009	466	2263
July 2009	469	2732
August 2009	441	3173
September 2009	496	3669
October 2009	1087	4756

*1 Dulof*

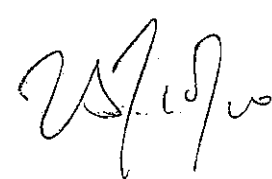
Tel: (852) [redacted] Fax: (852) [redacted]  
Email: [redacted]

**FAX MESSAGE**

To: [redacted] From: [redacted]  
Your Fax: 2156 2021 Our Fax: [redacted]  
Date: 3/6/2010 Page(s): 1 (including the covering page)

Month	Subtotal	Cumulative since June 2008
January 2009	31	236
February 2009	168	404
March 2009	476	880
April 2009	448	1328
May 2009	469	1797
June 2009	466	2263
July 2009	469	2732
August 2009	441	3173
September 2009	496	3669
October 2009	1087	4756
November 2009	2115	6871
December 2009	1700	8571
January 2010	1985	10556
February 2010	1080	11636
March 2010	1151	12787
April 2010	1441	14228
May 2010	1616	15844

June 2010 1414 17258  
July 2010 867 18125  
Aug 1118 19243  
Sep 1047 20290



Tel: (852) [REDACTED] Fax: (852) [REDACTED]  
Email: [REDACTED]

\*\*\* FAX MESSAGE \*\*\*

To: [REDACTED]  
Your Fax: 2156 2021  
Date: 11/11/2011

From: [REDACTED]  
Our Fax: [REDACTED]  
Page(s): 1 (including the covering page)

Month	Subtotal	Cumulative since June 2008
Jan-10	1985	10556
Feb-10	1080	11636
Mar-10	1151	12787
Apr-10	1441	14228
May-10	1616	15844
Jun-10	1414	17258
Jul-10	867	18125
Aug-10	1118	19243
Sep-10	1047	20290
Oct-10	1571	21861
Nov-10	1682	23543
Dec-10	1510	25053
Jan-11	1519	26572
Feb-11	891	27463
Mar-11	2121	29584
Apr-11	1716	31300
May-11	1898	33198
Jun-11	1452	34650
Jul-11	485	35135
Aug-11	479 /o-	35614
Sep-11	782	36396

RECEIVED  
11/11/11

Tel: (852) [REDACTED] Fax: (852) [REDACTED]

Email: [REDACTED]

Month	Subtotal	Cumulative since June 2008
Jan-10	1985	10556
Feb-10	1080	11636
Mar-10	1151	12787
Apr-10	1441	14228
May-10	1616	15844
Jun-10	1414	17258
Jul-10	867	18125
Aug-10	1118	19243
Sep-10	1047	20290
Oct-10	1571	21861
Nov-10	1682	23543
Dec-10	1510	25053
Jan-11	1519	26572
Feb-11	891	27463
Mar-11	2121	29584
Apr-11	1716	31300
May-11	1898	33198
Jun-11	1452	34650
Jul-11	485	35135
Aug-11	479	35614
Sep-11	782	36396
Oct-11	1477	37873
Nov-11	1586	37982
Dec-11	1372	39245
Jan-12	843	38825
Feb-12	1495	40740
Mar-12	1707	40532
Apr-12	1368	42108
May-12	1844	42376
Jun-12	1637	43745
Jul-12	1719	44095
Aug-12	1974	45719
Sep-12	1386	45481

Utilization												
Year	Low-charge beds				Other regular beds in the whole hospital				All beds in the whole hospital			
	No. of beds	No. of hospital bed days	No. of hospital bed days utilised		No. of beds	No. of hospital bed days	No. of hospital bed days utilised		No. of beds	No. of hospital bed days	No. of hospital bed days utilised	
2009	100	36,500	8,250	22.60%	783	285,795	314,120	109.91%	883	322,295	322,370	100.02%
2010	100	36,500	16,482	45.16%	854	311,710	323,270	103.71%	954	348,210	339,752	97.57%
2011	100	36,500	15,778	43.23%	948	346,020	340,634	98.44%	1,048	382,520	356,412	93.17%

NB: No. of beds available as at 31<sup>st</sup> of December.



[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

→ Pmo (1)

Tel.: (852) [Redacted] Fax: (852) [Redacted]  
Web Site: www.[Redacted] Email: [Redacted].hk

Our Ref: EO-09-22

(Hospital D)

18 May 2009

Dr [Redacted]  
Principal Medical & Health Officer  
Department of Health, HKSAR  
21/F, Wu Chung House  
213 Queen's Road East  
Wanchai, Hong Kong

Dear [Redacted],

Thank you for your telephone call this morning.

After discussing with our General Manager, [Redacted] and [Redacted], I am glad to inform that you we can modify our charges for the use of our beds by convalescence patients to \$ 3,000 per day.

The fee will cover accommodation, food, medicine, simple medical investigations (e.g. simple chest, X-ray and blood test) and doctors and nursing charges. This is on the understanding that if there is any change in the patient's condition, from convalescence to acute care, our hospital has the option to send the patient back to the HA hospitals after stabilization.

Yours sincerely,

[Redacted Signature]

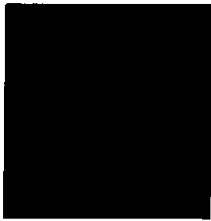
[Redacted Name]

Medical Superintendent

*[Handwritten signature]*

*written by Pmo (1)*

RECEIVED  
DATE: 24/5/09



[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

→ P200(1)

Tel.: (852) [Redacted] Fax: (852) [Redacted]  
Web Site: www.[Redacted].hk Email: [Redacted].hk

Our Ref: EO-09-21

16 May 2009

Dr [Redacted]  
Principal Medical & Health Officer,  
Department of Health, HKSAR  
21/F, Wu Chung House  
213 Queen's Road East  
Wanchai, Hong Kong

Dear [Redacted],

Further to our telephone conversation, I am glad to confirm that [Redacted] Hospital will be delighted to provide up to sixty convalescence beds for patients from the hospital authority hospitals, should the H1N1 epidemic hit Hong Kong making the Hospital Authority difficult to care for its elective patients. With the blessing of our [Redacted] [Redacted], charges will be in line with our 'II' class patients, details of which has been provided in our previous communications.

In case of a massive outbreak when the Hospital Authority can no longer cope, doctors and nurses at [Redacted] will consider it their duty to look after the general population with 'flu-like' symptoms. As [Redacted] do not have any open space to care for such patients, may we suggest closing off [Redacted] Street, which is adjacent to the hospital for such a purpose. We can borrow tents and other necessary equipment from the People's Liberation Army which has the expertise in providing field hospitals.

Yours sincerely,

[Redacted]

Medical Superintendent

W. Ted. by  
mand d/1

香港特別行政區政府  
衛生署  
醫護機構註冊辦事處

香港灣仔皇后大道東 183 號  
合和中心 31 樓 3101 室



THE GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION  
DEPARTMENT OF HEALTH  
OFFICE FOR REGISTRATION OF  
HEALTHCARE INSTITUTIONS

RM 3101, 31/F, HOPEWELL CENTRE,  
183 QUEEN'S ROAD EAST, WAN CHAI,  
HONG KONG

本署檔號 OUR REF.: ( 11 )DH/ORHI/CON/17/11 Pt.4  
來函檔號 YOUR REF.:  
電 話 TEL.: 3107 8451  
傳 真 FAX: 2126 7515

17 December 2012

Miss Mary SO  
Clerk, Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Miss SO,

**Public Accounts Committee**  
**Consideration of Chapter 4 of the Director of Audit's Report No. 59**  
**Land grants for private hospital development**

Thank you for your letter of 11 December 2012. We would like to provide the following information for consideration by the Committee.

Provision of free or low-charge beds

- (a) Before April 1989, the licensing authority of private hospitals was vested with the then Director of Medical and Health Services and was transferred in 1989 to the Director of Hospital Services and in 1991 to the Director of Health upon the reorganisation of the former Medical and Health Department (M&HD). When the Department of Health (DH) took over the regulation of private hospitals in December 1991, it was not a standard practice for the former M&HD and the former Hospital Services Department to conduct inspection of any private hospitals or to monitor the provision of free beds. Only when the DH enquired with the Lands Department in April 2012, it had come to our notice that the land grant condition for LG5 regarding provision of free beds was still in force.
- (b) An account on the monitoring of the compliance of the land grant condition of LG6 by Hospital D of providing low-charge beds is enclosed in **Annex 1**.

**\*Note by Clerk, PAC: For Annex 1, please refer to Appendix 30.**



- (c) An example of how DH handled non-compliance of land grant conditions is provided in Annex 2.
- (d) The land grant conditions for Hospital D and Hospital F require the hospitals to provide free or low-charge beds on the land lot concerned. However, there is no stipulation on the requirement to designate specific beds or wards for provision of these free or low-charge beds.

Profits/surplus plough-back requirement

- (e) DH issued a letter to relevant private hospitals in December 2010 to request for auditor's certification of compliance with financially related clauses in the land grant conditions. A sample is enclosed at Annex 3. In 2012, DH requested Hospital B, Hospital C, Hospital D and Hospital F to provide auditor's certification of compliance with specified land grant conditions for year ended 31 December 2011. A sample of the letter is attached at Annex 4.
- (f) DH only started to enforce the profits/surplus plough-back requirements of the land grants to private hospitals in December 2010 by requesting private hospitals to provide auditor's certification of compliance with financially related clauses in the land grant conditions.
- (g) The auditors' certifications of compliance with land grant conditions for year ended 31 December 2010 are at Annex 5.
- (h) & (i)  
According to our records, the following documents are related to the incorporation of Hospital B and of Hospital D.
- The Registrar of Companies sought comments of the then Director of Medical and Health Services in 1978 on the application of Hospital B for a license under section 21 of the Companies Ordinance (Annex 6).
  - The Registrar of Companies sought DH's comments in 1996 on the application of Hospital D for a license under Section 21 of the Companies Ordinance (Annex 7).

Regarding Hospital F, information relating to the incorporation of the hospital is available in the Trustees' Report in the Financial Statements of the hospital operator (Annex 8).

Currently some private hospitals were incorporated as companies limited by guarantee under the Companies Ordinance. From the perspective of provision of hospital services, the incorporation of the hospitals is not known to adversely affect the operation of hospitals. It also allows the public the access to the financial information of these hospitals, which are required to be publicized under the Companies Ordinance.

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In cases where the grantee and the hospital are separate entities with transactions between the two, DH will request the grantee to provide information on all its incomes and expenditures related to the operation of the hospital and to confirm whether the surplus, if any, is ploughed back to the improvement and extension of the hospital as required by the land grant conditions.

At present there is no urgency to require the grantee to take back the operation of the hospitals, but the subleasing issue will be followed up in accordance with the land lease concerned and with reference from the handling of subleasing in Hospital E's case.

- (j) Documents on DH's follow-up on the irregularities concerning the compliance of the profits/surplus plough-back requirement referred to in paragraph 3.13 (a) to (f) are provided at **Annex 9**.

#### Site development not strictly in accordance with land grant conditions

- (k) The paragraphs 3.26 and 3.28 concern DH and its approval of building plans of LG4. Hospital C was required by the land grant conditions of LG4 to "*erect and thereafter maintain upon the lot a non-profit-making medical, health and welfare centre providing a social centre for the elderly and a day hospital with such clinics, rehabilitation facilities and other facilities as may be approved by the Director of Health...*" (**Annex 10**). DH examined the building plans according to the clause, which was intended to allow flexibility to provide any such clinics, rehabilitation facilities and other facilities as may be approved by the Director of Health. DH will consult the Lands Department on the mandatory requirements provided by this clause and request the hospital to take appropriate remedial measures accordingly.

#### Sub-leasing of hospital premises

- (l) Please refer to information provided above in respect of question (j), 3.13(c) & (d).

#### Way forward

- (m) DH had sought legal advice via Lands Department on the legality of imposing new conditions on the Hospital F as suggested in the paragraph 2.23 (b) of the Audit Report and on the interpretation of certain land grant conditions. DH will work closely with the Lands Department in devising measures to rectify irregularities identified in the Part 2 and Part 3 of Chapter 4 of the Audit Report. Specifically, DH would -
  - (i) seek the advice of the Lands Department on the handling of profit distribution of hospitals occupying multiple land lots with various requirements on profit plough-back;
  - (ii) seek the advice of the Lands Department on the land lease condition of LG4, and to require Hospital C to take remedial measures;

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- (iii) seek legal advice on the requirements to be imposed on Hospital D and Hospital F in respect of provision of free or low-charge beds;
- (iv) require Hospital D to devise a scheme for providing free beds in LG5 with , and to implement the scheme in the first half of 2013 ;
- (v) specify the Government's requirements for provision of "low-charge beds and services" in the case of LG8 made to Hospital F; and
- (vi) support the Lands Department in rectifying the subleasing of the land lots on private treaty grant to hospital operators who are not the grantees.

Owing to the complexity of the issues involved, it is estimated that some of the follow-up actions would take two to three years to be completed (e.g. rectification of irregularities concerning profit plough-back) while the others can be accomplished within a shorter timeframe. DH will actively follow up the issues with all parties concerned and regularly report the progress to the Committee.

Please note that the inspection reports (Appendices D and H) are restricted documents used by DH Officers to enforce Cap.165, and the letters to and from the Hospital B, C, D and F contain financial information that are not advisable for public disclosure or further distribution.

Yours sincerely,



(Dr. FUNG Ying)  
for Director of Health

Enclosure

cc Secretary for Food and Health	(Fax: 2102 2568)	} w/o enclosure
Secretary for Development	(Fax: 2151 5303)	
Director of Lands	(Fax: 2152 0450)	
Director of Planning	(Fax: 2116 0755)	
Secretary for Financial Services and the Treasury	(Fax: 2147 5239)	
Director of Audit	(Fax: 2583 9063)	

Internal

DH CR/4-35/13C Pt2

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*We are committed to providing client-oriented service*

## 醫院對審計署署長第五十九號報告書第4章的回應

此文件旨在闡述醫院（簡稱「醫院」）對審計署署長第五十九號報告書（下稱為「報告書」）第4章「批地供私家醫院發展」中就醫院遵從批地條款調查結果及建議的回應。

醫院致力透過醫學及靈性的配合，為社會大眾提供全人醫療服務，使病者身、心、社、靈康泰。為此，醫院秉承「全人醫治」的使命提供多元化服務。本院在規劃設置這服務時，經過全面周詳的考慮，以病者及到訪人士的安全（特別是感染控制）及便利為本，將各項服務妥善設置於醫院內的不同大樓，分別為、座及未來的座（前身為大廈，現已拆卸並將於2014年年底竣工）。在實際運作上，各種服務息息相關，它們位處的醫院大樓在地理上連接在一起。另外，部分後勤部門、員工更衣室及長者活動中心（名為「」）則設於毗鄰醫院的中心一樓及地庫一樓內。本院在過往數年分別以市價購入中心之單位。

（附件1：醫院地圖）

### 一. 長者活動中心

1. 當位於地段編號的大樓<sup>1</sup>（現時為醫院座大樓所在地，即報告書所提及的「批地4」）重建工作展開，本院隨即於2004年8月將原有的長者活動中心<sup>1</sup>遷往毗連的大廈。其後，大廈亦開始重建為醫院未來的座大樓，而有關工程現正進行中。
2. 在2002年，本院在重建座的建築圖則上，有計劃於大樓的低層地下一樓撥出4,800平方尺的空間作為長者活動中心之用，以配合將該中心遷回座大樓的計劃。
3. 由於2003年非典型肺炎及其後流感爆發，醫院隨即加強院內的感染控制措施。長者在傳染性疾病爆發時屬高危一族，為保障他們的健康，本院認為將長者活動中心設於醫院大樓內並非最妥善的安排。此外，當嚴重應變級別訊號生效時，本院所採取的嚴謹感染控制措施可能需臨時關閉長者活動中心，暫停服務。
4. 基於上述的理由，本院在2007年年底決定將（即長者活動中心）由大廈遷往中心內以市價購入的單位，取代原本遷入座大樓的計劃。於2008年在中心開始運作，佔地6,000平方尺，比原先計劃於座大樓的位置空間更大，可提供更多元化的活動。

***\*Note by Clerk, PAC: Annex 1 not attached.***

<sup>1</sup>原有的長者服務中心名為中心，前址位於大樓內，即現時的醫院座大樓。

5. 秉承關顧身心社靈的服務宗旨，█醫院繼續投放更多資源，以滿足長者在社交及其他方面的需要，令他們得以安享健康快樂的晚年。例如在過往數年，本院增加█的職員人數，當中不但包括社會工作者，而且增添了一名兼職護士及一名院牧同工。此外，在社會福利署的促成下，本院成立了█護理中心，旨在為病人提供更優質的家居護理及復康服務，關顧他們在身心社靈各方面的需要，服務對象主要為本院出院的長者。█及█護理中心的大部分服務於█中心進行，而間中亦有在█座底層地下一樓舉辦長者活動中心的推廣活動。
6. 將█的大本營設於█中心，有助中心更有彈性地於█座或中心內舉行長者活動和服務；加上本院全面加強和擴展長者服務，有關上述的位置安排廣受█的長者會員歡迎。
7. 對於在未有完成有關法律程序前便更改長者活動中心位置的事宜，本院感到遺憾。我們將會遵從批地條款，把█遷回█座大樓。屆時會繼續現行的嚴謹感染控制措施、將該中心與醫療服務的範圍分隔，長者活動中心將會設有獨立入口，以確保長者的健康。由於有關調動及工程須經有關政府部門的審批及6個月的工程時間，預計於2013年年底竣工。

## 二. 配備復康設施之日間醫院

8. 在重建█座大樓前，本院在該地段開辦一所配備復康設施之日間醫院；由於重建計劃展開，此項服務已於2003年年初停止服務。
9. 在實際運作及空間運用上，醫院各大樓是一個整體，而日間病室及物理治療部門分別設於█座6樓及█座5樓。
10. 一如報告中第5.14(j)段所指，本院在計劃重建█座大樓時，獲得衛生署署長批准可靈活安排有關該大樓之醫療服務。
11. 本院會遵從有關█座大樓須配備復康設施之日間醫院的法定批地條件，並會採取適當行動。除現時設有之日間或復康設施外，我們將於█座大樓劃分部份面積提供日間物理治療及復康服務。預計有關工程可於2013年年底完成。

## 三. 把利潤/盈餘再投資

12. 本院一向積極參與慈惠工作，履行本院惠澤社群的服務理念。多年來，我們一直藉著支助不同慈善項目幫助社會上有需要的人士。
13. 一如審計報告第4章3.13(b)段所指，本院批地3（即█、█及█座）並沒有“把利潤/盈餘再投資”的規定，但批地4（即█座）卻有。即是說，特別批地條件中指出不得分發受條款限制之醫院/中心所賺得的利潤，及所有利潤應再投資於改善和擴充該醫院/中心的設施只適用於本院█座。此條款的生效日期為2011年3月，即修訂條款簽立之時。

14. 審計報告第3.13(b)段所提及之\$500萬捐款，是由█████醫院給█████醫院慈善基金有限公司的捐款。█████醫院慈善基金有限公司成立於2009年，是政府認可註冊、及根據稅務局《稅務條例》第88條獲豁免繳稅的慈善機構。該公司為█████醫院所擁有及管理，目的為參與及支持慈惠工作，而設立另一合法慈善機構是因為能方便獨立管理善款，讓捐款者能更清晰其「慈善身份」，及對於善款用途一目了然。由此機構管理之所有善款均全部用於撥捐慈善工作（請參閱下文）。
15. 於2006年，一名捐款者向█████醫院慷慨捐款\$500萬。在█████醫院慈善基金有限公司於2009年成立後，此筆捐款連同另一筆由█████醫院捐出之\$500萬捐款轉往█████醫院慈善基金有限公司。在過去2至3年期間，有總數共\$10,507,589之款項用以支持不同的慈善項目，主要包括：
  - 支助經濟上有困難的病人及其家屬；
  - ██████之「愛心資助病床」計劃，為善終病患者提供醫療服務；
  - 為公立醫院轉介之病人免費提供「骨骼掃描服務」；
  - 成立「█████護理中心」，為離院病人提供家居護理及復康服務；
  - 兒童發展基金之「生命導航計劃」；
  - 響應中國“青海省玉樹縣”及“雲南省昭通市彝良縣”地震籌款救災行動。
16. 支助慈善項目與本院惠澤社群之目標一致，法理上亦合乎組織章程大綱及細則所規定；本院亦從來沒有分發盈餘/利潤予董事會成員，並所有帳目必須經獨立審計師審計核實及供公眾查閱。
17. ██████醫院將會嚴謹遵從有關當局制定對本院批地條件之指引。

#### 四. 傳媒報導提及之其他捐款

18. 如上述第13點所指，“把利潤/盈餘再投資”的規定適用於█████座，而生效日期為2011年3月。
19. 本院及其成立之公司/機構（下述）均註冊為非牟利的機構，一直緊守原則，將利潤或盈餘用作發展及改善醫院服務，及執行和支持本院或其它機構之慈善工作，造福社會。
20. 就報導指█████醫院於5年內將利潤/盈餘轉移至關連機構，詳情如下：

█████聯會：為█████醫院提供行政支援予董事會及與各區教會之聯系工作  
█████聯會之醫務部旨在提供全人關顧之醫療服務，部員即為█████醫院之董事。

在2010年及2011年，分別有\$901,500及\$1,270,300撥交██████████聯會，用作██████████聯會所提供之行政支援服務，例如：為醫務部 / 董事會提供行政支援、為██████████聯會理事會整理及派發每月報告、籌備及舉辦週年大會，及支援██████████醫院與各區教會聯系等工作。

██████████醫院慈善基金有限公司：推廣、執行及資助慈善工作  
██████████醫院於2009年成立██████████醫院慈善基金有限公司，並獲《稅務條例》第88條免稅之慈善註冊；成立主要目的為推廣、執行及資助慈善工作，讓公眾人士、有意捐助醫院或慈善工作之人士捐款。就捐款及使用詳情，參閱上文第15點。

██████████醫院社區診所：在社區提供非牟利之門診服務  
██████████醫院於2006年成立██████████醫院社區診所有限公司，目的是成立及營運非牟利之社區診所服務，以服務有需要的市民。在2006年9月於██████████大樓開辦██████████醫院社區診所。本著回饋社會及服務傷病的宗旨，██████████免費向██████████醫院提供場地開辦診所。

由於到診人數不多，診所運作至2010年6月結業，該診所累積之補貼數目達\$327萬，由██████████醫院於2010年度撥款全數承擔。

██████████幼兒園：位於██████████醫院前██████████大樓內的幼兒院服務  
██████████幼兒園位於前██████████大樓(現為██████████醫院███座)內，為██████████醫院營運的其中一項服務。當時之地契亦有列明此項幼兒院服務。其後為預備大樓重建，於2001年特別成立「██████████幼兒園有限公司」，並將幼兒園遷至九龍塘窩打老道繼續服務，但使用情況一直未如理想。██████████醫院期間多次資助其營運費用，在2006年決定終止該服務，並解散「██████████幼兒園有限公司」。其中累積補貼數目\$880多萬，由██████████醫院全數承擔。而政府亦在本院申請更新███座地契時，批准刪除提供幼兒院之條款。

以上四項總數為\$2,400多萬。

██████████醫院致力為社會上有需要人士提供「全人」醫療服務，並會與衛生署緊密合作，持續提升服務質素，確保能全面關顧每位病者身、心、社、靈之需要。

- 完 -

**Hospital C**  
**Chronology of Events for**  
**Lease Modifications of LG3 and LG4**

<b>Date</b>	<b>Key Events</b>
20.11.2003	<p><u>LG4</u></p> <p>The Authorized Person (AP) acting on behalf of the grantee of Hospital C applied for a modification of the lease conditions on the building height, parking spaces, vehicular access, and to allow a connection bridge linking to LG3.</p>
2.9.2004	<p><u>LG4</u></p> <p>The lease modification application was submitted to the District Lands Conference (DLC). DLC approved the lease modification.</p>
27.11.2004	<p><u>LG4</u></p> <p>Provisional basic terms offer for the modification of LG4 was issued to the grantee.</p>
13.12.2004	<p><u>LG4</u></p> <p>Acceptance letter dated 10.12.2004 was received by the District Lands Officer/Kowloon East (DLO/KE).</p>
17.1.2005	<p><u>LG3</u></p> <p>DLO/KE wrote to the AP asking them to submit application for lease modification of LG3.</p>
31.1.2005	<p><u>LG3</u></p> <p>Application for lease modification was received from the AP.</p>
15.12.2006	<p><u>LG4</u></p> <p>Noting that the building plans submitted in October 2006 were rejected by the Building Authority, i.e. Buildings Department (BD), DLO/KE sought the AP's confirmation of their intention to construct the proposed connection bridge and advise them to show the connection points at the boundary of LG3 to cater for the lease modification of LG3.</p>
22.12.2006	<p><u>LG4</u></p> <p>The AP confirmed that the grantee would construct the connection bridge and the building plans would be submitted to BD tentatively in January 2007</p>



<b>Date</b>	<b>Key Events</b>
14.6.2007	<p><u>LG4</u></p> <p>DLO/KE asked the AP if the building plans for connection bridge were approved by the Advisory Committee on the Appearances of Bridges and Associated Structures (ACABAS) and to provide a set of approved building plans for further consideration of the lease modification</p>
20.6.2007 and 7.9.2007	<p><u>LG3 and LG4</u></p> <p>The AP submitted building plans approved by ACABAS to facilitate the preparation of the modification letters (M/L) and the plans.</p>
10.7.2008	<p><u>LG3</u></p> <p>DLO/KE approved the lease modification for LG3 and a basic terms offer was made to the grantee.</p>
24.7.2008	<p><u>LG3</u></p> <p>The AP requested for amendments to the conditions of the M/L.</p>
22.4.2009	<p><u>LG3 and LG4</u></p> <p>The M/Ls of LG3 and LG4 were sent to the grantee for execution. The grantee suggested amendments to the modification letters. An issue of terminating the licence agreement for a previous footbridge was raised.</p>
From 21.5.2009 to 15.12.2010	<p><u>LG4</u></p> <p>DLO/KE liaised with the grantee, BD and District Survey Office/Kowloon regarding the date of completion of demolition of the previous footbridge which would be deemed as the termination date of the Licence. The issue was finally resolved in December 2010. LACO was requested to arrange for completion of execution of the M/Ls.</p>
24.3.2011	<p><u>LG3 and LG4</u></p> <p>DLO/KE executed the M/Ls on 24.3.2011.</p>

**Hospital C**  
**Chronology of Events for**  
**Processing of Building Plan Submissions since 2005**

<b>Date</b>	<b>Key Events</b>	<b>Remarks</b>
2005 to early 2008	DLO/KE received a number of building plan submissions and revised submissions in relation to the 2-storeyed vehicular and pedestrian link connecting between LG3 and LG4 (the Connection Bridge) and the proposed medical, health and elderly centre on LG4 (the Centre).	A social centre for the elderly (SE) was shown on the building plans. The building plans were disapproved by DLO/KE on 29.8.2007, 9.10.2007 and 6.5.2008 as the lease modifications were under processing. The Authorized Person (AP) was reminded that under the existing lease, the lot owner should not erect any building without the consent in writing of the Director. Failure to comply with any lease conditions may result in lease enforcement action being taken and the lot being re-entered by Government.
June 2008 to 2009	DLO/KE received a number of revised building plans in relation to alteration works on various floors of the Centre.	It was unclear if the SE was provided according to the building plans. The AP was requested on 31.12.2009 to provide plans approved by BD with indication of the SE and hospital portion for checking.
26.1.2010	DLO/KE received building plans in relation to A&A works on LG/F, G/F & 1/F, of the Centre from the AP	A SE was marked on the building plan but not clearly demarcated. The building plans were superseded by a later submission on 29.6.2010.
29.6.2010, 23.7.2010	DLO/KE received building plans in relation to A&A works to various floors of the Center	The SE was not shown on the building plans. The AP was requested on 28.9.2010 to provide plans approved by BD with indication of the SE and hospital portion for checking.
26.7.2011	DLO/KE received building plans in relation to A&A works on 1/F & 2/F of the Centre	The SE was not shown on the building plans. The building plans were not approved and the AP was requested on 25.8.2011 to submit a full set of building plans with clear indication for the portions or part of the buildings is /are related to hospital or SE use for checking.
10.11.2011	DLO/KE received building plans in relation to A&A works on 1/F & 2/F of the Centre.	The SE was not shown on the building plans. No further action could be taken on the building plans until DLO/KE received the building plan submission required with indication of the hospital portion and the SE portion.

<p>23.11.2011</p>	<p>DLO/KE received copies of a set of consolidated building plans approved by BD for the Centre.</p>	<p>A SE was shown on the building plans. This set of building plans were circulated to DH and the Director of Social Welfare (DSW) on 20.2.2012. DSW replied on 6.3.2012 that they had no objection to the social centre on LG/F but the indication seems to be incorrect. The AP was requested on 25.7.2012 to revise the plans in light of DSW's comment. Reminder was sent on 31.8.2012 on the re-submission.</p> <p>The AP submitted the corrected LG/F plan for approval on 28.9.2012. This revised submission was referred to DH and DSW for comment on 11.10.2012. DSW expressed no objection to the corrected plan on 19.10.2012. The AP was asked to confirm if the layout of the SE shown on the corrected plan reflect the existing occupation.</p> <p>A joint site inspection was held on 24.10.2012 which revealed that the demarcated area for the SE as shown on the submission did not reflect the actual occupation. The AP was asked to revise and resubmit the plans for approval.</p> <p>DLO/KE received on 6.11.2012 a Layout Plan indicating the SE which was circulated to DH and DSW. DSW in e-mail dated 9.11.2012 mentioned that the operator should demarcate clearly a service area for the SE with exclusive use. It could also facilitate the operator to carry out major functions such as organizing different kinds of activities (e.g. mutual help groups, recreational and social activities) and a drop-in area in an elder-friendly environment. The building plans were considered not acceptable and were rejected under the lease on 13.11.2012.</p>
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**規 劃 署**

香港北角渣華道 333 號  
北角政府合署

**Planning Department**

North Point Government Offices  
333 Java Road,  
North Point, Hong Kong

來函檔號 Your Reference CB(4)/PAC/R59  
本署檔號 Our Reference ( ) in NHQ(TC) 5/4/96 (V)  
電話號碼 Tel. No.: 2231 4602  
傳真機號碼 Fax No.: 2522 9060

19 December 2012

Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road,  
Central,  
Hong Kong

(Attn : Ms Mary SO)

Dear Sir/Madam,

**Public Accounts Committee**  
**Consideration of Chapter 4 of the Director of Audit's Report No. 59**  
**Land grants for private hospital development**

Thank you for your letter of 12 December 2012 requesting for further responses in writing to two issues in connection with the Public Accounts Committee's consideration of Chapter 4 of the Director of Audit's Report No.59 on "Land grants for private hospital development".

2. The following is a summary of the considerations of the planning applications and rezoning request in relation to the land of Hospital G based on our records :

- In relation to the undeveloped (eastern) portion of land of Hospital G, the Town Planning Board (TPB) received and considered two s.16 planning applications (Applications No. A/ST/483 and No. A/ST/508) in December 1998 and November 1999 respectively and one rezoning request (No. TPB/Z/ST/8) in May 2000. In processing the above applications and rezoning request, relevant government bureaux/departments including Director of Health (D of H) were consulted. These were referred in Table 5, paragraphs 4.14-4.16 and Annex D of Chapter 4 of the Director of Audit's Report No.59.

我們的理想 – 「透過規劃工作，使香港成為世界知名的國際都市。」

Our Vision - "We plan to make Hong Kong an international city of world prominence."



- In December 1998, D of H, when commenting on Application **No. A/ST/483**, raised no objection to the application and advised, inter alia, that an excess of demand over the planned 400 beds (including the future expansion) was not anticipated in view of the persistent low occupancy of the Hospital. The need for expansion would not be imminent unless there was a drastic change in policy over health financing in which patients would be forced to patronize private hospitals. However, D of H suggested that the applicant should clearly specify the amount or percentage of income generated that would be reserved for financing the capital costs of the future expansion of the Hospital as well as the continuing operation of the Hospital as this information was considered necessary to justify the change of land use (**Annex A**).
- In November 1999, when commenting on the second application **No. A/ST/508**, D of H considered that there was no detail data provided in the application in respect of the portion of the profit from the sales of flats that would be reserved for the operation costs and development of the Hospital and raised concern about the financial position of the Hospital to support continuous operation of the Hospital with additional beds. Considering that there would not be any added value of the proposed extra 200 beds in the health services provision in Hong Kong, D of H had reservation in supporting the proposal. However, D of H advised that consideration on the proposed change of land use was more a matter of land policy decision (**Annex B**).
- The two applications were both considered and rejected by the Rural and New Town Planning Committee (RNTPC) of the TPB. In considering the first application No. A/ST/483, the RNTPC noted that the proposed residential development would assist in financing the capital costs of the future expansion of the hospital but there was no sufficient information provided to help determine whether the proposed residential development would pre-empt the possibility of hospital expansion on the site.
- In considering the second application No. A/ST/508, D of H's reservation on the application was noted but the key concern taken by the RNTPC then was on the land use aspect. Members noted that although the proposal was generally in line with the TPB Guidelines, there were neither unique circumstances nor strong reason to justify a departure from the planning intention. Since there were local objections to the application, a majority of members were of the view that should the proposed development be considered acceptable, it would be more appropriate to amend the OZP to reflect the latest planning intention of the site so as to provide a statutory avenue for affected persons to lodge objections with the TPB. The RNTPC thus agreed, in rejecting the second application, to advise the applicant that should he consider that the undeveloped portion of the application site was no longer required for hospital use, it would be more appropriate for him to request for a rezoning of the site for the subject residential development proposal.
- The Applicant had asked in April 2000 for a review of the decision on the second application. D of H suggested that the operators should seek other venues to raise funds and not to use the zoned land for such purpose and the land should be reserved for future development on hospital services in the long run as often seen in other hospital projects (**Annex C**). The application was, however, later withdrawn by the Applicant on his own accord.

- The applicant subsequently submitted a rezoning request in May 2000 to change the “Government, Institution or Community” (“G/IC”) and “Open Space” (“O”) zoning of the undeveloped portion to “Residential (Group B)” (“R(B)”). D of H had no particular comment on the rezoning request and reiterated that her previous comments on the planning application were still valid.
- In considering the rezoning request in June 2000, the RNTPC noted that the applicant would expand the hospital through the construction of additional 3 storeys over the existing hospital blocks; the undeveloped portion of the “G/IC” site was not required for the hospital expansion or for the provision of other types of G/IC facilities; the proposal would not generate significant adverse environmental and traffic impacts and impose significant pressure on the existing and planned infrastructure in the area; the plot ratio of the proposed residential development at the site was considered generally compatible with the adjacent private residential developments; the proposal would require a lease modification and there was no impediment to such proceedings under the land administration policy; and the rezoning would provide a proper avenue for the local residents to raise their objections. The RNTPC, after balancing all relevant factors, agreed to the rezoning request on 30 June 2000. The amendment was later exhibited for public inspection under section 7 of the Town Planning Ordinance (TPO) on 4 August 2000.
- During the exhibition period, a total of six objections were received against the rezoning of the site to “R(B)” zone. When the objections were circulated for departmental comment, D of H advised that her previous comments on the planning application were still valid. The objection hearing was conducted in January 2001. After considering the presentations made by the objectors, the Objection Hearing Committee (OHC) decided to revert the zoning of the site from “R(B)” to “G/IC” and “O” and the amendments were then notified under Section 6(7) of the pre-amended TPO. During the notification period, one further objection, submitted by Hospital G, against this amendment was received. Another hearing to consider this further objection under Section 6(8) of the pre-amended TPO was conducted in June 2001. Both the original six objectors and the further objector were invited to attend the meeting.
- In considering the further objection, the OHC noted D of H’s advice that the land should be reserved for future development of hospital services in the long run as often seen in other hospital projects (**Annex D**). After hearing the presentations of objectors/further objector and balancing all relevant factors, the OHC decided to alter its previous decision by reversing the zoning of the site from “G/IC” and “O” to “R(B)” taking the following into account:
  - according to the Hospital Authority (HA), the ratio of 5.5 beds per 1,000 persons quoted in the Hong Kong Planning Standards and Guidelines referred to a territory-wide requirement of beds that covered all types of beds both in the public and private sectors. The ratio did not reflect the requirement of hospital beds at the local district level. HA’s assessment showed that there would be a slight shortfall of about 250 general public hospital beds in the New Territories East region by 2006. HA could not comment on the adequacy of private hospital beds as private hospitals were operated on commercial basis and their operation was totally dependent on market demand, and HA had no plan to acquire new land in the New Territories East region to develop hospital facilities.

- Given its remote location and poor accessibility, the OHC also considered that the site was not suitable for social welfare facilities as advised by the Social Welfare Department.
  - Hospital G had already complied with the lease requirement for provision of hospital beds.
  - Besides, Hospital G had proposed to increase the number of hospital beds from 212 to a total of 400. This proposal, if implemented, would provide an additional 188 beds in Sha Tin.
  - The proposed residential development was not incompatible with the adjacent private residential developments and would not generate significant adverse environmental and traffic impacts.
- The Sha Tin Outline Zoning Plan, together with the unwithdrawn objections, was approved by the Chief Executive in Council in September 2001.

3. According to our records, during the period from 1999 to 2002, the TPB considered 59 applications (covering 58 sites) for rezoning non-residential zones to residential uses. These non-residential zones were mainly "Government, Institution or Community", "Green Belt", "Industrial" and "Agriculture" zones. Among these 59 applications, 22 applications (covering 22 sites) were agreed or partially agreed by the TPB; and 37 applications (covering 36 sites) were rejected.

Yours faithfully,



(Miss Ophelia WONG)  
for Director of Planning

cc Internal

AD/NT  
DPO/STN

By Fax

**MEMO**District Planning Officer  
(Sha Tin, Tai Po & North)  
Planning Department

From Director of Health  
 Ref. (17) in DH/248/1001/94 II  
 Tel. No. [REDACTED]  
 Fax No. [REDACTED]  
 Date 31 December 1998

To [REDACTED]  
 (Attn.: Mr [REDACTED])  
 Your Ref. (3) in TPB / A / ST / 483  
 dated 28 December 1998 Fax No. [REDACTED]  
 Total Pages [REDACTED]

**Application for Residential Development near [REDACTED]  
 at [REDACTED], Sha Tin, N.T.  
 (Application for Permission under  
 Draft Sha Tin Outline Zoning Plan No. S / ST / 11)**

Thank you for your memo of 28 December 1998.

2. It is noted that the current application submitted by the [REDACTED] for residential development near [REDACTED] is to address DPO's concern on the zoning and site boundaries of the previous application of 1 August 1998. There is no change in respect of the proposed residential building development.
3. I have no particular comment to make on the zoning and application site boundaries. With regard to the proposed residential development, please refer to my remarks made in my memo to your ref (14) in the same series dated 12 August 1998.

  
 [REDACTED]  
 ( [REDACTED] )  
 for Director of Health

c.c. S for Health & Welfare (Attn.: [REDACTED])

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MEMO

<i>From</i>	Director of Health	<i>To</i>	District Planning Officer
<i>Ref.</i>	(14) in DH/248/1001/94II	<i>(Attn:</i>	Ms. [REDACTED])
<i>Tel.</i>	[REDACTED]	<i>Your Ref.</i>	(3) in TPB/A/ST/470
<i>Fax</i>	[REDACTED]	<i>dated</i>	5 August 1998 Fax: [REDACTED]
<i>Date</i>	12 August 1998	<i>Total Pages</i>	1

**Application for Residential Development near [REDACTED]  
at [REDACTED], Shatin N.T.**

Thank you for your memo of 5 August 1998.

2. With reference to the application submitted by the [REDACTED] ([REDACTED]) for residential development near [REDACTED], I do not object in principle to the application for the following reasons -

- i) The [REDACTED] has allowed in the original design of the foundation of the Hospital Building to cater for future expansion, i.e. to build an additional three storeys over the existing hospital block, providing another 200 beds. In view of the persistent low occupancy even in times of good financial environment in the years 1995 to 1997 (occupancy rate varied from 15% to 37%), it is not envisaged that there will be an excess of demand over the planned 400 beds (including the future expansion). Hence, the need of expansion on part of the applied site will not be eminent unless there is a drastic change in policy over health financing in which patients will be forced to patronise private hospitals.
- ii) The Department of Health is open to the proposal that the hospital does not need to provide staff quarters within the same land lot (my earlier memo dated 20 May 1998 refers).

3. Having said the above, I must add that the applicant needs to specify clearly the amount or percentage of income generated that would be reserved for the financing the capital costs of the future expansion of the Hospital as well as the continuing operation of the Hospital. This information is necessary for the Administration to justify the change of land use. I note that the hospital has suffered an cumulative loss

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of \$270 million from 1994 to 1997 on recurrent expenses. With the current business climate, an annual deficit in the area of \$80 is estimated for future years. It is also estimated that some \$150 million would be required to provide further expansion of 200 beds. The Director of Lands would be in a better position to negotiate with the applicant on the terms and stipulate conditions to ensure that the applicant sets aside sufficient profits from the residential development to guarantee future financing/expansion of the hospital.

A large black rectangular redaction box covering the signature area. A handwritten arrow points from the top of the box down and to the left.

( [REDACTED] )  
for Director of Health

cc: SIHW (Attn: Mr. [REDACTED])

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To : District Planning Officer/Shu Tin, Tai Po and North  
 (Attn: Mr. [REDACTED])  
 Fax No. [REDACTED] or [REDACTED]

Application No. A/ST/508

Department/Office/Section : Department of Health

Responsible Officer : [REDACTED]

Telephone No. : [REDACTED]

Date : 5 November 1999

File Reference : (24) in DH 248/1001/94 II

Please tick as appropriate :

- No objection to the application
- ~~Do~~ comment on the application
- Object to the application

Major Comments on the Applications:

There is no detail data provided in the current application in respect of the portion of the profit from the sales of flats that would be reserved for the operational costs and development of the hospital. The financial position of the hospital to support continuous operation of the hospital with additional beds is a concern.

Though a gradual increase in the bed occupancy rate of the existing 212 beds of the [REDACTED] is noted (i.e. up to 62.93% in August 1999), the increase has not significantly indicated the need for the Phase II development to provide additional 200 beds. As we do not foresee a tremendous increase in demand for hospital beds in the private sector in the coming five years, we do not see any added value of the proposed extra 200 beds in the health services provision in Hong Kong. As such, I have reservation in supporting the proposal.

Nevertheless, consideration on the proposed change of land use is more a matter of land policy decision.

Other Detailed Comments (if applicable) :

Nil

c.c. SHW (Attn: Mr. [REDACTED]) fax- [REDACTED]

**MEMO**

<i>From</i>	Director of Health	<i>To:</i>	District Planning Officer (Sha Tin, Tai Po & North)
<i>Ref.</i>	(36) in DH248/1001/94III	<i>(Attn:</i>	( [REDACTED] ))
<i>Tel.</i>	[REDACTED]	<i>Ref:</i>	(7) in TPB/A/ST/508II
<i>Fax</i>	[REDACTED]	<i>dated</i>	28.4.2000 Fax: [REDACTED]
<i>Date</i>	29 April 2000	<i>pages</i>	1

**Review of Proposed Residential/Hospital and  
Ancillary Chinese Medicine Research Department Development,  
Sha Tin Town [REDACTED]  
[REDACTED]  
Sha Tin, New Territories  
(Review of Application No. A/ST/508)**

I refer to your memo of 28 April 2000.

2. I confirm that my previous comments on the application are still valid. You may wish to refute the argument that the sale of residential flats to support the development of the hospital. The land is zoned for G/IC purposes. The operators should seek other venues to raise funds and not to use the zoned land for such purpose. The land should be reserved for future development on hospital services in the long run as we often see in other hospital projects.

[REDACTED]  
( [REDACTED] )  
for Director of Health

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MEMO

*From* Director of Health

*Ref.* (2) in DH 248/1001/94 IV

*Tel. No.* [REDACTED]

*Fax. No.* [REDACTED]

*Date* 22 March 2001

*To* District Planning Officer  
(Sha Tin, Tai Po & North)

*Your ref.* (5) in TPB/O/S/ST14-F1 DPO)

*date* 17.3.2001

*Fax. No.* [REDACTED]

*Total Pages* 1

**Proposed Amendments to the Draft Sha Tin Outline Zoning Plan No. S/ST/14  
(Objection No. F1)**

Thank you for your memo of 17 March 2001.

2. My views on the written representation is that the land should be reserved for future development on hospital services in the long run as we often see in other hospital projects.

for Director of Health

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6. 對反對的考慮

(1) 任何受如此展示的草圖影響的人，可於上述 2 個月期間內，就他對草圖內所出現的任何事物所提出的反對，向規劃委員會送交陳述書。

(2) 該陳述書須列明——

(a) 所提反對的性質及理由；

(b) 建議對該草圖的任何修改(如所提反對會因對該草圖的修改而消除的話)。

(3) 規劃委員會於收到第(1)款所指的反對陳述書後，可在反對者不在場的情況下，對某項反對給予初步考慮，並可針對該項反對而建議任何對草圖的修訂。

(4) 如規劃委員會依據第(3)款建議一項對草圖的修訂，則須就所建議的修訂以掛號郵遞向反對者發給書面通知，並促請該反對者以修訂須一如建議而作出為條件，撤回他所提出的反對。

(5) 反對者可在通知根據第(4)款送達後的 14 天內，以書面通知規劃委員會他以修訂須一如建議而作出為條件撤回所提出的反對；但如沒有收到該書面通知，則反對須繼續有效。

(6) 凡——

(a) 規劃委員會沒有根據第(3)款建議修訂；或

(b) 反對者沒有根據第(5)款通知規劃委員會他撤回反對；或

(c) 反對者已根據第(5)款有條件地被撤回，而規劃委員會並沒有進行所建議的修訂，

則規劃委員會須於會議上考慮該反對陳述書，而反對者須就該會議獲發給合理通知，反對者或其授權代表並可出席該會議，且如欲作出陳詞，則須獲聆聽。

(6A) 規劃委員會可指示根據第(1)款就同一草圖而提出的任何反對或根據第(8)款收到的任何反對(視屬何情況而定)須在同一會議上處理，而規劃委員會可個別或集體處理該等反對，視乎規劃委員會的決定而定。(由 1998 年第 16 號第 3 條增補)

(6B) 如反對者沒有出席為施行第(6)款或第(8)款(視屬何情況而定)而舉行的任何會議，亦沒有獲他授權的代表出席該會議，規劃委員會可進行會議並處理該項反對，或押後會議，但會議不可押後多於一次。(由 1998 年第 16 號第 3 條增補)

6. Consideration of objections

(1) Any person affected by the draft plan so exhibited may within the said period of 2 months send to the Board a written statement of his objections to anything appearing in the draft plan.

(2) Such written statement shall set out—

(a) the nature of and reasons for the objection;

(b) if the objection would be removed by an alteration of the draft plan, any alteration proposed.

(3) Upon receipt of a written statement of objection under subsection (1), the Board may give preliminary consideration to an objection in the absence of the objector and may propose amendments to the draft plan to meet the objection.

(4) If the Board proposes an amendment to the draft plan pursuant to subsection (3), it shall give notice in writing of the amendment proposed to the objector by registered post and may invite the objector to withdraw his objection on the condition that the amendment is made as proposed.

(5) An objector may notify the Board in writing within 14 days after service of notice under subsection (4) that his objection is withdrawn on the condition that the amendment is made as proposed but if no such notification is received the objection shall continue in force.

(6) Where—

(a) the Board does not propose amendments under subsection (3); or

(b) an objector does not notify the Board under subsection (5) that his objection is withdrawn; or

(c) an objector was conditionally withdrawn under subsection (5) and the Board does not proceed with the amendment proposed,

the Board shall consider the written statement of objection at a meeting of which the objector is given reasonable notice, and the objector or his authorized representative may attend such meeting and if he desires shall be heard.

(6A) The Board may direct that any objection made under subsection (1) in respect of the same draft plan or, as the case may be, received under subsection (8) shall be dealt with at the same meeting and such objection may be dealt with by the Board either individually or collectively as it may determine. (Added 16 of 1998 s. 3)

(6B) If the objector or his authorized representative does not attend any meeting held for the purposes of subsection (6) or, as the case may be, for the purposes of subsection (8) the Board may proceed with the meeting and deal with the objection or adjourn it and such meeting may not be adjourned more than once. (Added 16 of 1998 s. 3)

(7) 如規劃委員會覺得其針對某項反對而作出的修訂影響任何根據政府批出的租契、租賃或許可證持有而年期超過 5 年的土地(反對者的土地除外),則規劃委員會須以送達、公告或其他方式向有關土地的擁有人發給規劃委員會認為合宜及切實可行的通知。(由 1998 年第 29 號第 45 條修訂)

(8) 在根據第(7)款發給通知後的 14 天內所收到的任何反對書,須由規劃委員會在會議上考慮,而原反對者及反對修訂者須就該會議獲發給合理通知,各反對者或其授權代表並可出席該會議,且如欲作出陳詞,則須獲聆聽。

(9) 規劃委員會按照第(6)或(8)款考慮某項反對後,可駁回該項反對的全部或部分,或可針對該項反對對草圖作出修訂。

(由 1969 年第 59 號第 4 條修訂)

#### 7. 規劃委員會並非由於某項反對而修訂草圖

(1) 除第 6 條所載修訂的權力外,規劃委員會並可在草圖根據第 5 條展示後及行政長官會同行政會議根據第 9 條作出核准前的任何時間,對草圖作出修訂。(由 2000 年第 62 號第 3 條修訂)

(2) 每項根據本條所作出對草圖的修訂,須由規劃委員會展示以供公眾於合理時間查閱,為期 3 星期,而在該段期間內,規劃委員會須將對該草圖的修訂及該項修訂可供查閱的時間,每星期在一份本地報章刊登兩次,和在每期憲報公布。

(3) 規劃委員會須向任何繳付規劃委員會所釐定費用的人提供根據本條所作出對草圖的修訂的複本。

(4) 任何受根據本條所作出對草圖的修訂影響的人,可於上述 3 星期期間內,以第 6(1)及(2)條規定的方式提出反對,而第 6(3)至(9)條的條文隨即適用。

(由 1969 年第 59 號第 5 條增補)

(7) In any case where an amendment made by the Board to meet an objection appears to the Board to affect any land, other than that of the objector, held under lease, tenancy or permit from the Government for a term exceeding 5 years, the Board shall give such notice by service, advertisement or otherwise as it deems desirable and practicable to the owner of the land in question. (Amended 29 of 1998 s. 45)

(8) Any written objection received within 14 days after the giving of notice under subsection (7) shall be considered at a meeting of the Board of which the original objector and the objector to the amendment are given reasonable notice, and the objectors or their authorized representatives may attend such meeting and if he or they so desire shall be heard.

(9) Upon consideration of an objection in accordance with subsection (6) or (8) the Board may reject the objection in whole or in part or may make amendments to the draft plan to meet such objection.

(Amended 59 of 1969 s. 4)

#### 7. Amendment of draft plan by Board otherwise than consequent upon an objection

(1) In addition to the power of amendment contained in section 6, the Board may, at any time after exhibition of a draft plan under section 5 and before approval by the Chief Executive in Council under section 9, make amendments to a draft plan. (Amended 62 of 2000 s. 3)

(2) Every amendment to a draft plan made under this section shall be exhibited by the Board for public inspection at reasonable hours for a period of 3 weeks and during such period the Board shall advertise twice a week in a local newspaper and shall notify in each issue of the Gazette the amendment to the draft plan and the hours at which such amendment may be inspected.

(3) The Board shall supply a copy of an amendment to a draft plan made under this section to any person on payment of such fee as the Board may determine.

(4) Any person affected by an amendment to a draft plan made under this section may object within the said period of 3 weeks in manner provided by section 6(1) and (2) and the provisions of section 6(3) to (9) shall thereupon apply.

(Added 59 of 1969 s. 5)

16. 就圖則而申請許可

(1) 凡草圖或核准圖(不論是在《1974年城市規劃(修訂及追認效力)條例》(1974年第59號)生效日期之前或之後擬備或核准)規定就任何目的批給許可,對批給該等許可的申請須向規劃委員會提出。

(2) 任何該等申請須以書面致予規劃委員會秘書,而申請書的格式及所包括的詳情,須以規劃委員會認為適合者為準。

(3) 規劃委員會須於收到申請的2個月內,在申請人不在場的情況下考慮該申請,並可在第(4)款的規限下,批給或拒絕批給所申請的許可。

(4) 規劃委員會可根據第(3)款批給的許可,範圍以圖則所顯示或預定或指明者為限。

(5) 任何根據第(3)款批給的許可,可受規劃委員會認為適合的條件規限。

(6) 規劃委員會秘書須將規劃委員會對根據本條提出的申請所作的決定以書面通知申請人,而如規劃委員會拒絕批給許可,則規劃委員會秘書亦須將申請人根據第17條申請覆核的權利通知申請人。

(7) 就《建築物條例》(第123章)第16(1)(d)及(da)條而言,任何獲規劃委員會根據本條許可的事物,並不違反根據本條例擬備的任何核准圖或草圖。(由1988年第2號第6條修訂)

(由1974年第59號第3條增補)

16. Applications for permission in respect of plans

(1) Where a draft plan or approved plan, whether prepared or approved before or after the commencement of the Town Planning (Amendment and Validation) Ordinance 1974 (59 of 1974), provides for the grant of permission for any purpose, an application for the grant of such permission shall be made to the Board.

(2) Any such application shall be addressed in writing to the secretary to the Board and shall be in such form and include such particulars as the Board thinks fit.

(3) The Board shall within 2 months of the receipt of the application, consider the same in the absence of the applicant and, subject to subsection (4), may grant or refuse to grant the permission applied for.

(4) The Board may grant permission under subsection (3) only to the extent shown or provided for or specified in the plan.

(5) Any permission granted under subsection (3) may be subject to such conditions as the Board thinks fit.

(6) The secretary to the Board shall notify the applicant in writing of the Board's decision on an application under this section, and where the Board refused to grant permission shall also notify the applicant of his right to a review under section 17.

(7) For the purposes of section 16(1)(d) and (da) of the Buildings Ordinance (Cap. 123), anything permitted by the Board under this section shall not be a contravention of any approved plan or draft plan prepared under this Ordinance. (Amended 2 of 1988 s. 6)

(Added 59 of 1974 s. 3)



商務及經濟發展局  
通訊及科技科

香港添馬添美道二號  
政府總部西翼二十一樓



COMMUNICATIONS  
AND TECHNOLOGY BRANCH  
COMMERCE AND ECONOMIC  
DEVELOPMENT BUREAU

21/F, West Wing  
Central Government Offices  
2 Tim Mei Avenue  
Tamar, Hong Kong

本函檔號 Our Ref. : CTB(CR)7/28/18

來函檔號 Your Ref. :

Tel No.: (852) 2810 2722

Fax No: (852) 2519 9780

12 December 2012

Miss Mary So  
Clerk to the Public Accounts Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Fax: 2840 0716 )

Dear Miss So,

**Public Accounts Committee**  
**Consideration of Chapter 5 of the Director of Audit's Report No. 59**  
**Government's Financial Support to Film Industry**

I refer to your letter dated 29 November 2012 to Head of Create Hong Kong. I set out this Bureau's response to the views raised in relation to Chapter 5 of the Director of Audit's Report No. 59.

- (a) The FDF is intended to assist the film industry in revitalising and developing further, rather than deriving financial return from the funding support given to the industry. When the Finance Committee considered the proposal to increase the commitment of the FDF by \$300 million in July 2007 vide FCR(2007-08)30, the objectives of the Film Development Fund (FDF) as set out in the paper are to provide limited funding support to small-to-medium budget productions, enhance efforts to promote Hong Kong films in the Mainland and overseas, enhance

initiatives to train talents in the various aspects of the film production and distribution, and enhance the interest and appreciation of Hong Kong films by the local audience.

FCR(2007-08)30 also sets out the broad eligibility parameters for the film production projects to be funded under the FDF. These parameters include:

- (i) the films are small-to-medium budget productions;
- (ii) at least 50% of the main cast and film crew are Hong Kong permanent residents;
- (iii) films should be for commercial theatrical release;
- (iv) there will also be assessment in relation to the commercial viability of the project (e.g. at least 50% undertaking of budget by third-party financier(s));
- (v) objective assessment on whether the film is for mass appeal rather than for the niche market only;
- (vi) track-record and aptitude of the applicant; and
- (vii) reasonableness of the proposed budget.

We have all along set out these broad eligibility and assessment parameters in the application forms and relevant documents available on the website of the Film Services Office of Create Hong Kong.

As an ongoing process of improving the operation of the FDF, we will introduce early next year some revisions to the eligibility criteria which cover –

- (i) reasonableness of the production budget;
- (ii) marketability of the film (i.e. commercial viability);
- (iii) creativity of the film; and
- (iv) local production elements of the film.

We will promulgate the aforementioned criteria to the film industry and specify them clearly in the relevant guide and documents concerned.

From the above, it can be seen that how well a proposed film could recover the contributions from the FDF has not been one of the eligibility nor assessment parameters. In fact, for funding the small-to-medium budget film productions, although commercial viability is one of the vetting criteria, the Government did acknowledge in FCR(2007-08)30 that “there is a chance of the Government not recouping all or part of the contribution if the proceeds from all revenues for the Government’s share of contribution cannot cover the contribution.” Given the highly unpredictable market response to a film before its screening, it is not possible for the Government to specify an expected return from its contribution to the film production projects.

In any event, we will conduct an overall review of the FDF in 2013 to consider the way forward, including the need for further funding injection. The review will cover the question of recovery of the Government contribution.

- (b) In conducting the review on the use of the FDF, we will consider the existing practice of using an applicant’s ability to secure third-party financing as a measure of the commercial viability of a film. The FDC and stakeholders will also be consulted.
- (c) As mentioned, we agree with the recommendation of the Director of Audit that a strategic review be conducted on the use of the FDF. We will take into account the views on the financing of film promotion and distribution expenses in the future review.

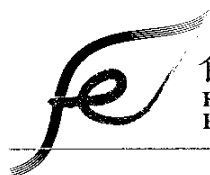
Yours sincerely,



( Susie HO )

for Secretary for Commerce and Economic Development

c.c. Head of Create Hong Kong (Fax: 3101 0863)



食物環境衛生署  
Food and Environmental  
Hygiene Department

香港金鐘道六十六號金鐘道政府合署四十二至四十五樓  
42/F-45/F Queensway Government Offices, 66 Queensway, Hong Kong

電話 Tel : 2867 5083 傳真 Fax : 2868 3943 電郵 E-mail : christinewong@fehd.gov.hk

Our ref. : FEHD CM/1-125/55/1 C Pt.2  
Your ref. : CB(4)/PAC/R59

27 December 2012

Ms Mary SO  
Clerk, Public Accounts Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road, Central  
Hong Kong

Dear Ms SO,

**Public Accounts Committee**  
**Consideration of Chapter 7 of the Director of Audit's Report No. 59**

**Management of public enquiries and complaints by  
the Food and Environmental Hygiene Department**

Thank you for your letter dated 12 December 2012.

As requested, we are pleased to provide our responses to the questions raised in your letter in the **Annex** to facilitate the Public Accounts Committee's consideration of the captioned Chapter of the Audit Report. A soft copy of this letter in both English and Chinese will be sent to you via e-mail.

Yours sincerely,

(Ms Christine WONG)  
for Director of Food and Environmental Hygiene

c.c. Secretary for Financial Services and the Treasury (fax no. 2147 5239)  
Director of Audit (fax no. 2583 9063)

Encl.

**Chapter 7 of the Director of Audit's Report No. 59**  
**FEHD's Responses to questions raised by PAC**

	<b>Questions raised by PAC</b>	<b>Responses from FEHD</b>
(a)	Whether, and if so, what progress has been made by the Food and Environmental Hygiene Department ("FEHD") in reviewing the criteria and practice for classifying cases into service requests and complaints.	Taking into account Audit's observations and after consultation with the Efficiency Unit(EU), FEHD has decided to adopt the same practice as EU and other government departments i.e. it will no longer differentiate cases into "complaints" and "service requests". All "complaints" and "service requests" will be classified as "complaints" and dealt with according to FEHD Administrative Circular on "Handling of Complaints".
(b)	Whether the pledged time frames for replying to service requests and complaints will be revised after the internal and pledged time frames for replying the same have been aligned, and if so, whether the revised pledged time frames will be tightened or relaxed.	<p>According to the time frames set out in General Circular No. 6/2009, bureaux/departments should acknowledge receipt of a complaint within 10 calendar days and strive to provide a substantive reply within 30 calendar days after receipt of a complaint. For complicated cases requiring longer processing time, the complainant should be kept informed of the progress of the case.</p> <p>In light of the Audit's observations and taking into account the time frames set out in General Circular No. 6/2009, FEHD has now aligned its internal and pledged time frames as follow:-</p> <p>An interim reply will be given within 10 calendar days upon receipt of the complaint. In case a substantive reply cannot be made within 30 calendar days upon receipt of the complaint, the complainant will be updated on the progress.</p>

	<b>Questions raised by PAC</b>	<b>Responses from FEHD</b>
		<p>The revised pledged time frames have been implemented since 12 November 2012 and promulgated in the department's website and publicity materials displayed in FEHD offices with interface with the public.</p>
(c)	<p>Whether the FEHD's increase in manpower to cope with the increased workload in carrying out its investigation of water-seepage cases has improved efficiency; if so, please elaborate on the increase in manpower for this purpose.</p>	<p>FEHD's increase/reinforcement in manpower to cope with the increased workload in carrying out its investigation of water-seepage cases has improved efficiency. The increase/ reinforcement in manpower since mid-2011 includes –</p> <ul style="list-style-type: none"> <li>(i) in mid 2011, FEHD deployed 81 Health Inspectors I/II (HI I/II), who are civil servants, to replace in two batches some non-civil service contract Environmental Nuisance Investigators (ENIs) for investigation of water seepage cases with a view to reinforcing the knowledge base of the staff and providing better continuity in the Joint Office's work. After the replacement, there were 85 ENIs in the Joint Office;</li> <li>(ii) to further enhance efficiency of the work and to cope with the increased caseload, a total of 38 additional ENI positions were created in two batches in late 2011 for the Joint Office;</li> <li>(iii) to further enhance workforce stability, nine time-limited HI I/II posts have been created to replace the same number of ENIs since August 2012, and another eight time-limited HI I/II posts would be created for the same purpose in early 2013.</li> </ul>

	<b>Questions raised by PAC</b>	<b>Responses from FEHD</b>
		<p>These time-limited posts would last up to end March 2014; and</p> <p>(iv) to strengthen supervisory support for the Joint Office, six time-limited Senior Health Inspector (SHI) posts were created in April 2011 for one year and have been extended for two more years up to end March 2014. In addition, three more time-limited SHI posts have been created in July 2012, making a total of nine time-limited SHI posts up to end March 2014.</p> <p>The above increase/reinforcement in manpower has made it possible for FEHD to make dedicated efforts to reduce overdue cases. There has been a significant decrease in the number of overdue water seepage cases by 43% from June 2011 to November 2012. FEHD will continue to closely monitor caseload and review manpower resources.</p>
(d)	<p>What effective measure(s), apart from reminding staff, will be implemented by the FEHD to ensure data accuracy of the computerized Complaints Management Information System (“CMIS”) (e.g. checking by supervisors, using the system to highlight anomalies, unusual items, etc).</p>	<p>Apart from reminding staff that details of all complaints should be accurately and promptly recorded in the CMIS upon receipt of the complaint, and that the date of the replies given to complainants should be input into the CMIS immediately to reflect the latest position of the cases in the system, as set out in FEHD Administrative Circular on “Handling of Complaints”, supervisors are also required by the Circular to conduct sample checks to ensure that complaint cases are handled appropriately and properly recorded in the CMIS.</p>

	<b>Questions raised by PAC</b>	<b>Responses from FEHD</b>
		<p>A new “email alert” has been implemented in the existing CMIS to remind Case Officers and their supervisors of the dates to issue interim reply or substantive reply on outstanding cases. Apart from that, a weekly summary report will be sent to each supervisor of Case Officers, drawing his attention to the outstanding cases of respective case officers under his command. By so doing, supervisors could easily spot outstanding items and anomalies, if any, and take follow-up actions.</p>
(e)	<p>What measure(s) have been or will be taken by the FEHD to ensure that monthly reports of outstanding cases are followed up by operational units before the full implementation of the new CMIS in September 2014.</p>	<p>FEHD has been providing its directorate officers and heads of districts/sections with monthly reports on overdue cases for monitoring of the case progress. In order to ensure that monthly reports of overdue cases are followed up properly by operational units, FEHD has put long overdue cases and repeated complaints as standing agenda items for discussion at management meetings at the headquarters and district level. Besides, heads of districts /sections are now reminded at regular intervals to oversee the progress of cases undertaken by their staff, make good use of the monthly ageing analysis of overdue cases for monitoring purpose, look into the reasons for any long periods of inaction during investigation of the cases and provide guidance/assistance to their subordinates as necessary with a view to concluding the cases as soon as possible. These requirements have also been incorporated in FEHD Administrative Circular on “Handling of Complaints”.</p>



	<b>Questions raised by PAC</b>	<b>Responses from FEHD</b>
(f)	<p>What are the various means being considered by the FEHD to solicit feedback on its complaint handling system as referred to in paragraph 5.25 of the Audit Report, and whether the FEHD will conduct customer satisfaction surveys.</p>	<p>Various means of collecting feedback from the enquirers and complainants have been considered. They include focus groups, face to face interviews, self-administered questionnaires (either on paper or via electronic means) and telephone surveys. Having assessed the pros and cons of these methods, FEHD considered that telephone surveys should be the most suitable means to solicit customer feedback in terms of ease of access (phone numbers of the target respondents are mostly available), flexibility (interviewer could explore options with respondents), and cost (lower than face-to-face interviews though higher than self-administered surveys). FEHD plans to conduct customer satisfaction surveys to solicit feedback on its complaint handling system after the full implementation of the new CMIS.</p>
(g)	<p>Whether, and if so, what progress has been made by the FEHD in the integration between the systems of the 1823 Call Centre and the new CMIS as referred to in paragraph 6.13(a) of the Audit Report.</p>	<p>FEHD has discussed with the 1823 Call Centre regarding the integration of the 1823 system with the new CMIS, including the transfer of case information between the two systems. The system contractor of the new CMIS has been working on the details of user requirements regarding the integration which will be sent to the 1823 Call Centre for follow-up. FEHD will continue to liaise with the 1823 Call Centre regarding the integration.</p>

海 事 處  
香港統一碼頭道三十八號  
海港政府大樓



**MARINE DEPARTMENT**  
HARBOUR BUILDING,  
38 PIER ROAD,  
G.P.O. Box 4155,  
HONG KONG.

網 站      **WEB SITE :** <http://www.mardep.gov.hk>  
本 處 檔 號      **OUR REF.:**  
電 話 號 碼      **TEL. NO.:** 2852 4401  
傳 真 號 碼      **FAX NO.:** 2854 9210

30 November 2012

Miss Mary SO  
Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

(By fax 2840 0716 and email)

Dear Miss SO,

**Public Accounts Committee**

**Consideration of Chapter 9 of the Director of Audit's Report No. 59**

**Provision of local services by the Marine Department**

Thank you for your letter dated 23 November 2012.

My responses to the questions raised in your letter are set out in the Appendix for your consideration. The Chinese version of my responses will be sent to you next week.

Yours sincerely,

(Francis H.P. LIU)  
Director of Marine

c.c. Secretary for Financial Services and the Treasury (Fax : 2147 5239)  
Secretary for Transport and Housing (Fax : 2523 9187)  
Director of Audit (Fax : 2583 9063)

同心協力，促進卓越海事服務  
We are One in Promoting Excellence in Marine Services

**Answers to Questions concerning  
the Provision of Local Services by the Marine Department**

- (a) Whether there are any difficulties for the Marine Department ("MD") to publicise on its website information of berth vacancy and upcoming tendering exercise; if so, what are these difficulties?

MD has arranged to publicise on MD's website the information of berth vacancy with effect from 1.12.2012. Tender invitations will continue to be published in the Government Gazette and local newspapers as well as on MD's website.

- (b) Whether there are any difficulties for MD to replace the unserviceable vehicle entry/exit control systems for Tuen Mun and Rambler Channel public cargo working areas ("PCWAs"); if so, what are these difficulties?

As mentioned in paragraph 2.31(a) of the report, the software operating system and spare parts of the computer hardware for the existing systems were no longer available for replacement. MD agrees with the Audit recommendation to expedite action to replace the unserviceable systems. MD has been exploring with the Electrical and Mechanical Services Department the feasibility of introducing a new system at the PCWAs, including the possibility of using the Octopus system which is already in use in some PCWAs.

- (c) What is the reason(s) for MD not to conduct more frequent reviews of the financial performance of PCWAs?

Following established practice, MD carried out reviews of the financial performance of the PCWAs at three-year intervals to tie in with the tendering of PCWA berths for a new Berth Licence Agreement (BLA) term. As the 2011-16 BLAs will run for five years, MD agrees with the Audit recommendation that more frequent reviews should be conducted. MD is conducting an interim review of the 2012-13 financial performance of the PCWAs. The review will be completed in March 2013.

- (d) What is the reason(s) for the limited supply of authorized surveyors whose duties are to conduct surveys of low risk vessels, and whether consideration would be given to, say, collaborating with vocational training institutions in coming up with more training places for people who aspire to become authorized surveyors?

Authorized surveyors must possess the required qualification and experience. The required qualification is being a Registered Professional Engineer (Marine and Naval Architecture Discipline) and having his name on the register established under section 7 of the Engineers Registration Ordinance (Cap 409), or having Corporate (professional) membership of a maritime institute. The required experience is at least four years' maritime practical experience in the field of maritime professional in marine engineering and/or naval architecture, including marine engine and system maintenance or repairing, operation inspection or technical services of vessels, ship design or structural construction or ship-repairing/maintenance, or teaching/training; and plan approval, inspection or survey of newly-built or existing vessels.

As ship building and ship repairs are no longer major industries in Hong Kong, there are currently limited places in the local tertiary institutions on marine engineering and no local academic courses for naval architecture. Any qualified professionals will also have to satisfy the specific experience requirement in plan approval and survey of local vessels in order to become authorized surveyors.

The Government launched a Sea-going Training Incentive Scheme in 2004. This provides subsidy to encourage youngsters to take up and complete sea-going training with a view to developing their future careers in the port and maritime industry. As at today, more than 200 youngsters have joined the Scheme and out of these, three deck officers and two marine engineer officers have been qualified as Master Mariners and Chief Engineers respectively. After gaining relevant experience, some of them may acquire the professional requirements to be authorized surveyors.

In response to the Audit recommendation in paragraph 3.14 of the report, MD is reviewing the survey work arrangements and requirements with a view to enhancing efficiency and effectiveness in performing its dual role as a survey service provider and a regulator.

- (e) What is the reason(s) for MD not to issue reminders to vessel owners with expired licences irrespective of the expiry dates, and whether consideration would be given to stepping up efforts in contacting the vessel owners with expired licences, such as by telephone, facsimile, electronic mail and cable?

As mentioned in paragraph 3.20 of the report, since November 2008, MD has conducted four rounds of exercises issuing letters to remind owners of specific Classes of vessels with licences expired for a certain period to renew their operating licences. Since October 2011, the MD has carried out monthly reviews to identify vessels of all Classes with licences expired for one to two months for issuing reminders. Following the Audit recommendation, MD will issue reminders to all expired licence cases irrespective of the expiry date in phases, and will follow up by telephone calls to closely monitor the feedbacks and evaluate the effectiveness of this measure.

- (f) What is the reason(s) for MD not to require address proof for renewal of vessel licences?

In accordance with Section 37 of the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation, Cap. 548D, the owner of a local vessel shall within seven working days after any change in the particulars specified in the certificate of ownership notify the Director of Marine of the changes. The owner's address is one of the specified items in the certificate of ownership. MD will follow up on the Audit recommendation and require vessel owners to present their proof of address when applying for licence renewal starting from December 2012 with six months' grace period.

- (g) What is the reason(s) for MD not to strengthen enforcement action against private moorings not used by the designated vessels as recommended by the Director of Audit in paragraph 4.14 of Chapter 9 of his Report No. 59?

As mentioned in paragraph 4.7 of the report, the Shipping and Port Control Regulations (Cap 313A) provide, inter alia, that a private mooring shall not be used by any vessels not owned by or under the control of the mooring owner except with the consent of the mooring owner or by direction of the Director of Marine.

MD will step up patrol at designated mooring areas to check whether the private mooring is no longer used by the designated vessels, and take enforcement action as appropriate, including to verify whether consent has been given by the mooring owner. MD is also upgrading the computer system to enhance the linkage between the vessels' licence information and the database of private moorings to facilitate its patrol officers to take more effective and efficient enforcement action against any irregularities identified.

- (h) What is the difficult(ies) encountered by MD for not being able to expedite the translation process of marine accident investigation reports, and whether MD will actively explore ways to address the problem?

Factors affecting the translation process of marine accident investigation reports include the technical nature and length of the reports, the professional language used in the drafting and the regular change in posting of Official Languages Officers in MD.

In most marine accident investigations, the translation of the investigation reports into the Chinese language is only required for accidents involving local or river trade vessels. MD will amend the investigation guidelines to specify that for incidents that involved local or river trade vessels operators, the related investigation reports should be drafted in Chinese.



**Labour Department (Headquarters)**

勞工處（總處）

Your reference 來函編號：

Our reference 本處檔案編號： LD YE/1-125/3C

Tel. number 電話號碼： 2852 3688

Fax number 傳真機號碼： 3101 1066

(By fax 2840 0716 and post)

30 November 2012

Ms Mary SO  
Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Ms SO,

**Public Accounts Committee  
Consideration of Chapter 10 of the Director of Audit's Report No. 59  
Youth employment services**

Thank you for your letter of 23 November 2012 on the above subject.  
As requested, we provide at **Annex** Labour Department's response (in both English and Chinese) for the Public Accounts Committee's consideration. A soft copy of the response will be separately sent to you at sywan@legco.gov.hk.

Yours sincerely,

(Cheuk Wing Hing)  
Commissioner for Labour

Encl

- c.c. Secretary for Labour and Welfare (fax only: 2537 3539)  
Secretary for Financial Services and the Treasury (fax only: 2147 5239)  
Director of Audit (fax only: 2583 9063)

Response to question (a)

As at the end of November 2012, 66 officers of LD are involved, as part of their work, in the monitoring of the service provision under YTPTS. They are also responsible for the administration, promotion and publicity, websites and information system management and service delivery of YTPTS. In addition, they assist in the formulation of youth employment policies.

Response to question (b)

Regarding the problem referred to in paragraph 2.9 of Chapter 10 of the Director of Audit's Report No. 59, LD will organise more training activities for case managers to facilitate their timely registration. We will closely monitor the enrolment situation and arrange more training sessions where there is a need.

Regarding the problem referred to in paragraphs 2.13 and 2.27(a), LD will enhance the liaison with the training bodies to understand the difficulties encountered by the case managers and draw up measures to ensure that the case managers will submit the Training and Career Plan and Case Review Report in a timely manner. LD will enhance the computer system for issuing automatic reminders to training bodies to alert them to overdue cases, and asking them to explain or rectify. We will also build in relevant administrative requirements in the forthcoming procurement exercise.

LD strives to ensure the provision of effective training and employment support to young people, and will strengthen the monitoring of services provided by the training bodies of YTPTS. We accept the Director of



Audit's recommendations and will explore the most practicable ways to enhance programme administration, including revamping operational procedures and deploying manpower resources more efficiently.

Response to question (c)

Under YTPTS, personalised case management services are provided to young people to help them develop their individual Training and Career Plan and look for suitable work. The case management services are provided by registered social workers, who are competent to provide appropriate employment support services according to their professional assessment of the trainees' individual needs and interests. In fact, case management service fees are remunerated on an hourly basis and the training bodies can only charge LD for the actual number of service hours spent with the trainees. In other words, the case managers are not allowed to make claims and obtain payment from LD for training hours unspent with the trainees.

Response to question (d)

The Youth Pre-employment Training Programme and the Youth Work Experience and Training Scheme were integrated in 2009. Since then, young people can join YTPTS anytime in a programme year, and receive case management services for a period of 12 months afterwards. While training bodies can claim service fees after completing the case management services, some of the claims will only become due in the following programme years. On the other hand, the need to revamp the payment procedures and to modify the computer system after the integration of the two youth programmes have brought significant workload. We have been adopting various measures to expedite the processing of claims for case management service fees. As at 31 October

2012, 5 560 (i.e. 96%) of the 5 779 cases mentioned in the audit report have been processed.

The figure of 270 000 hours for trainees of 2009-10 as quoted in the audit report was an estimate adopted for budgeting purpose for that programme year. The actual usage of case management services will depend on the trainees' actual needs and the case managers' professional assessment.

#### Response to question (e)

The present employment market is buoyant and we can canvass vacancies from employers in a wide variety of industries. When young people enrol on YTPTS as trainees, they will be asked to indicate their job preferences and we would help them apply for workplace attachment and/or on-the-job training in those industries or occupations as far as possible.

In fact, the engagement rate of workplace attachment and on-the-job training has not been very high because, nowadays, many options are open to the trainees. Some trainees may choose to further their academic studies or undertake vocational training, while some are successful in finding work by their own efforts after receiving case management services.

In order to promote the trainees' participation in on-the-job training, in recent years, we have been enhancing our collaboration with employers in launching more training-cum-employment projects, especially in those trades or industries that young people express interest, such as Japanese style hairdressing and aircraft maintenance. As mentioned in the audit report, through our efforts, there was a steady rise in the engagement rate, from 32% in 2008-09 to 38% in 2010-11.

## ACRONYMS AND ABBREVIATIONS

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APCO	Air Pollution Control Ordinance
API	Air pollution index
AQGs	Air Quality Guidelines
AQMS	Air-quality monitoring station
AQO	Air quality objective
Audit	Audit Commission
B/D	Bureau/Department
BBI	Bus-bus interchange
BLA	Berth Licence Agreement
CE	Chief Executive
CFS	Centre for Food Safety
CIIF	Community Investment and Inclusion Fund
CMIS	Complaints Management Information System
CO	Carbon monoxide
Code	Hong Kong Code of Marketing and Quality of Formula Milk and Related Products, and Food Products for Infants & Young Children
Codex	Codex Alimentarius Commission
COO	Chief Operations Officer
COP	Code of Practice
COR	Controlling Officer's Reports
CPC	Commercial Properties Committee
DCs	District Councils
DEVB	Development Bureau
DH	Department of Health
DoJ	Department of Justice
EAG Company	The 2009 East Asian Games (Hong Kong) Limited

## ACRONYMS AND ABBREVIATIONS

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ECA	Emission control area
ENB	Environment Bureau
ENIs	Environmental Nuisance Investigators
EOC	Equal Opportunities Commission
EPD	Environmental Protection Department
EU	European Union
ExCo	Executive Council
FC	Finance Committee
FDF	Film Development Fund
FEHD	Food and Environmental Hygiene Department
FHB	Food and Health Bureau
GDP	Gross Domestic Product
G/IC	Government, Institution or Community
GLD	Government Logistics Department
GRS	Government Records Service
Guangdong EPD	Environmental Protection Department of the Guangdong Provincial Government
ha	Hectares
HA	Hospital Authority
HD	Housing Department
HI I/II	Health Inspectors I/II
HKSAR	Hong Kong Special Administrative Region
HMO	Health Maintenance Organization
ICAC	Independent Commission Against Corruption
IMO	International Maritime Organisation
INED	Independent Non-executive Director

## ACRONYMS AND ABBREVIATIONS

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KPI	Key Performance Indicators
Lands D	Lands Department
LD	Labour Department
LegCo	Legislative Council
LG	Land grant
LPG	Liquefied-petroleum gas
LWB	Labour and Welfare Bureau
M&HD	Medical and Health Department
MCHK	Medical Council of Hong Kong
MD	Marine Department
NAAQS	National Ambient Air Quality Standards
NCHK	Nursing Council of Hong Kong
NGOs	Non-governmental Organizations
NO <sub>2</sub>	Nitrogen dioxide
NO <sub>x</sub>	Nitrogen oxides
NRMM	Non-road mobile machinery
O <sub>3</sub>	Ozone
OGVs	Ocean-going vessels
OHC	Objection Hearing Committee
OPS	Onshore power supply
ORHI	Office for Registration of Healthcare Institutions
PCWAs	Public Cargo Working Areas
PIR	Post-Implementation Review
PM <sub>2.5</sub>	Particulate matters with a diameter of 2.5 µm or less
PM <sub>10</sub>	Particulate matters with a diameter of 10 µm or less
PRD	Pearl River Delta

## ACRONYMS AND ABBREVIATIONS

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Protocol	Protocol for Inspection of Private Hospitals, Nursing Homes and Maternity Homes under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) (March 2010)
PTG	Private treaty grant
SHI	Senior Health Inspector
SO <sub>2</sub>	Sulphur dioxide
SWD	Social Welfare Department
TD	Transport Department
THB	Transport and Housing Bureau
TPB	Town Planning Board
TSP	Total suspended particulates
UK	United Kingdom
ULSD	Ultra-low-sulphur diesel
UNHCR	United Nations High Commissioner for Refugees
US	United States
USA	United States of America
USEPA	United States Environmental Protection Agency
VOC	Volatile organic compound
WHO	World Health Organization
WSD	Water Supplies Department
YTPTS	Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme